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EDITORIAL

As We See It

The political situation called into being by the results of the election last month and by the latest turn in the "McCarthy case" appears to be a subject about which press commentators never tire of writing. These and related matters of possible party strategy are doubtless topics in which professional politicians and others who are fond of following the course of partisan strategy are normally deeply interested. There can be no doubt that the President faces a situation rather novel if not unique in some respects. The same, of course, can be said of the Democratic leaders faced by a President of great popularity with a divided party at his back. Obviously, all concerned will have to watch their step carefully if they are to enter the 1956 political campaigns with the greatest positional advantage—or should we say the least positional disadvantage?

But for our part, we are much more interested in what may or may not be done during the next two years, and particularly during 1955, in the way of sound public policies. We feel confident, moreover, that the American people, by and large, share our interest. A great many people who care hardly a fig about the relative advantage that either of the major parties may gain from this, that or the other bit of tactics, are vitally concerned with having good, far-seeing and statesmanlike government during the year or two immediately ahead. We confess to a strong suspicion that that party and those politicians who bear this fact carefully in mind in the interim will enter the 1956 campaigns with just that advantage all are now seeking.

There are, of course, plenty of issues which

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Debts Keep Rising

By MELCHIOR PALYI

Dr. Palyi calls attention to mounting public and private debts, and pictures the growth as approaching a deluge, since debts are rising more rapidly than the increase in the Gross National Product. Cites danger of a credit pyramid, accompanied by monetary expansion. Notes a specter of il-liquidity, which may be tantamount to a depression. Decries argument that liquidation of private debts can be avoided by boosting the National Debt, since this brings up hazards of runaway inflation.

Mr. Eisenhower announced lately that our Gross National Product may reach $500 billion by 1965. A similar figure was projected three years ago by Mr. Keyserling, the quasi-economist of the Truman regime. What the politicians do not "project," is the parallel growth of the debt at the average annual rate of $30-odd billion. By that token, the total debt of the nation, private and public combined, **should reach almost $1,000 billion**—one trillion dollars—by 1965. And more if the rate of growth accelerates, as it well may. In this race between assets and liabilities, as it were, the latter are in the lead. Incidentally, corporate debts keep growing much faster than corporate profits; and individual debts faster than the liquidity holdings of individuals.

Dr. Melchior Palyi

How long can we go on piling year after year, $30 to $40 billon on our over-all indebtedness without running into the necessity of wholesale liquidation? A mere slowing down of the (net) debt-growth means a recession—as it did in 1953-54.

The Debt-Deluge

The comprehensive statistics of debts appear only once a year, nine months after the event. The Department of Commerce has just released the figures for 1953; they should be a bit confusing: the economy was in a boom during the first half of the year, and in a recession in

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The Investment Bankers Association of America Holds 43rd Annual Convention

Meeting at Hollywood Beach Hotel, Hollywood, Florida, November 28-December 2, it is addressed by, among others, incoming President, Walter A. Schmidt; Senator Prescott Bush; Devereux C. Josephs; Hon. A. D. P. Heeney, and Hines H. Baker. Text of these addresses, also Committee Reports and other Convention developments given in this issue.

The Forty-third Annual Convention of the Investment Bankers Association of America was held at the usual place, the Hollywood Beach Hotel, Hollywood, Florida, from November 28 to December 2, inclusive. The Association elected as President for the ensuing year, Walter A. Schmidt, Senior Partner of Schmidt, Poole, Roberts and Parke, Philadelphia, who succeeds T. Jerrold Bryce, Senior Partner of Clark, Dodge and Company, New York City. The Vice-Presidents elected were Robert H. Craft, American Securities Corporation, New York; Holden K. Farrar, Smith, Barney & Co., Chicago; John C. Hagan, Jr., Mason-Hagan, Inc., Richmond, Va.; Delmont K. Pfeffer, National City Bank of New York, New York; and Ralph E. Phillips, Dean Witter & Co., Los Angeles, Calif.

Walter A. Schmidt

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IBA PICTORIAL SECTION—Pictures of incoming Officers and Governors of the Investment Bankers Association of America, also candid shots taken during course of the Association's recent Convention at Hollywood, Fla., appear on pages 55 to 78 incl.

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

Fixed Interest Railroad Bonds—Hubert F. Atwater, Wood, Walker & Co., New York City. (Page 2)

American Air Lines—N. Leonard Jarvis, Partner, Hayden, Stone & Co., New York City. (Page 2)

HUBERT F. ATWATER

Wood, Walker & Co., New York City
Members New York Stock Exchange

Fixed Interest Railroad Bonds

Whenever the expression "The Security I Like Best" is used in conversation there is but one answer that comes immediately to mind. It is, of course, that type of security which begins, "For value received the undersigned promises to pay to the bearer the sum of $1,000 with interest, etc., etc." Recalling the adage that "Diamonds is a girl's best friend," why not say a bond is the best protection of a beneficiary.

Hubert F. Atwater

For the last six weeks the stock market has enjoyed a celebration that may be based upon an expectation of greater inflation in the economy if the Democrats are elected in 1956 or satisfaction with the setbacks that have been suffered by the conservatives in both parties. Whatever the spark that ignited the rise, we have seen the sound and the unsound forge ahead. In such a market many inexperienced investors have made considerable money.

The sharp rise in railroad shares, for example, has focused attention upon the relatively low yields of some of them, the absence of any material improvement in earnings when compared with 1953 and 1952 and the low prices at which the bonds (debt) of such companies can be acquired.

Take only the fixed interest bonds of a few railroads and bear in mind that *interest* is payable before Federal taxes or dividends. In the past few weeks the greatest increases in lower priced railroad shares have occurred in those issues which can afford only nominal dividends.

If you are impressed with the rise in market price of New York Central take a look at the first mortgage 3½s that sell about 82 and have paid interest regularly for 57 years and should do it for 43 years more. Several times in recent years these bonds have sold at or above 100 and in 1932 hit a bottom of 62, still paying interest.

In the Baltimore & Ohio System the improved balance sheet position has brought prices of above 100 for several of the fixed interest issues and about 80 for the contingent interest 4½s, which are probably worth more.

Divisional first mortgage bonds of the Lackawanna and Lehigh Valley can still be bought at substantial discounts and are being retired according to plan.

A very suitable bond to donate to a cemetery association to provide perpetual care for one's plot would be West Shore RR. 4s due 2361. There is only one other issue with a later maturity and it does not bear the guarantee of the New York Central. The importance of West Shore is evidenced by its merger with the New York Central in recent years.

Interest rates are likely to remain at present levels for some time, since it suits the fiscal program, but there is always the danger that margin requirements may be raised if the volume of security trading gives the impression that too much money is going into stock speculation.

One does not usually find opportunities for capital gain in the purchase of sound bonds at a time when the stock market is rising. The paradox of low priced bonds and high priced stocks in the railroad field today may be explained by the fact that the enthusiasm of inexperienced buyers has carried the market price of some stocks to the point of discounting the results for many months ahead. Those who invest after a thorough appraisal of the credit factors have been willing to believe the gossip of the stock market.

Now is a good time to Buy your Beneficiary a Bond.

N. LEONARD JARVIS

Partner, Hayden, Stone & Co., N. Y. C.
Members New York Stock Exchange

American Airlines

Most of us may not realize that only 7.5% of the people in the United States have ever flown in an airplane, which indicates that a large percentage of the 92.5% of the remaining population are potential flyers. One can easily visualize the growth in air passenger travel if present figures could only be doubled. There is no doubt but that the younger generation is air-minded, which in itself suggests tremendous increases in air transportation revenues quite apart from the fact that the older folks are also getting into line.

N. Leonard Jarvis

American Airlines is the largest domestic corporation which should grow as fast as any company in the industry. It derives its basic strength from transcontinental routes from Boston, New York and Washington in the East to Los Angeles and San Francisco in the West by way of Detroit, Chicago and Dallas, covering a total of over 10,800 route miles including the highest density routes of the long-haul type in the country. The growth and operating revenues are continuing at a rate of 15% compounded annually. But for a rather serious strike in 1954, operating revenues this year would have shown another outstanding increase in growth. Cost controls are regarded as amongst the best in the history of the industry and daily utilization of aircraft is increasing. The trend line of depreciation charges should reach its peak toward the end of next year, after which a large percentage of the cash earnings currently running at the rate of around $4.50 a share can be translated into net earnings below the line. Even so, I would expect net earnings this year to approximate $1.40-$1.50 a share, which is an extraordinary showing in view of the bad luck which the company had with its labor experiences during the year. Next year I would venture to guess that net earnings might get up to $2-$2.50 a share with cash flow running substantially higher.

American Airlines has the most modern air fleet in the country and it is doubtful whether any new planes will be taken on before 1958, at which time it is possible the company may order ultramodern turboprops. In the meantime as present planes are being paid off and earnings improve, it seems only logical to anticipate an increase in dividend over and above the current 60c rate.

The average passenger trip flown by American Airlines has increased to something around 585 miles as against the average length of only 480 miles in 1949. There has been an increase in coach service but this has been accomplished with high density seating to around 80 seats per plane as against 64 seats for first-class flights. Ultimately, it is expected that the C. A. B. may do something about the rate situation which is not very satisfactory. In any case a more constructive attitude may well be considered by the C. A. B. next year.

American Airlines has built up a fine reputation for service and it has also been one of the first with the latest type planes, which has gone a long way in developing the traffic potential of its routes. The stock represents one of the best investments for price appreciation in its group.

American Airlines common stock is listed on the New York Stock Exchange and the closing price on Dec. 15 was 20¾.

The New Democratic Congress and Business

By RICHARD L. WILSON*

Chief of the Washington Bureau, Cowles Publications

Prominent Washington Correspondent, commenting on the almost equal division of Congress among Democrats and Republicans, sees a new chapter in national politics. Says many Democrats in Congress are more Republican than many Republicans, and President Eisenhower may be forced to a middle-of-the-road policy. Holds, in some respects, Democrats appear to be more adaptable to Eisenhower leadership than the Republicans, and if a "hopeless jam" is to be avoided, Mr. Eisenhower will have to grasp control of his party firmly. Sees Democrats forcing the Randall tariff reduction program and restoring fixed farm price parities.

We are turning now to a new chapter in Washington. What is written there can be seen vaguely. We have the impression the chapter may be rewritten even before we have finished reading it.

Richard Wilson

Now we are to have a Congress controlled by men who nominally are Democrats. Many of them are more Republican than many Republicans. The White House will continue to be controlled by a man who is neither passionately Republican nor Democratic. He thinks a political party is a vehicle for expressing the will of the people, not an instrumentality for holding power.

This is a mixed and confusing way to run a government. Perhaps it reflects the attitude of mind of the country. Can it be possible that we do not trust the Republican leadership completely? Nor do we trust the Democrats. But we wish to have a nearly equal division of both so that one can keep an eye on the other?

The almost equal division of political opinion in this country is startling. Democrats will control the Senate by virtue of winning a single senatorial contest in a single state by a margin of 1,900 votes.

Nor is this anything new. Our last Democratic President, Mr. Truman, was elected without a popular majority. We think of President Eisenhower as having been elected in a landslide. Actually, he received 55% of the popular vote. He fell far short of popular majorities piled up by some of his predecessors in both parties. In 1920 Harding won over Cox with 64% of the popular vote. Hoover won over Smith in 1928 with 58% of the popular vote. Roosevelt defeated Landon in 1936 with 66% of the popular vote.

We forget that virtually as many people voted for Adlai E. Stevenson in 1952 as favored the master of American politics, Franklin D. Roosevelt, at the height of his popularity.

One is led to the conclusion that many millions of voters, perhaps one-third, do not know whether they are Republicans or Democrats and don't care. A significant change apparently has taken place in American political life. The question can be fairly raised whether we have a majority party, or only two minority parties with elections decided by voters who don't care whether they are Republican or Democratic, who change back and forth between the two party affiliations, or who will never have any party affiliations whatsoever.

Last fall, just before the Congressional elections, I travelled many thousands of miles from coast to coast covering the campaign. I could find no nationwide issues. I could only sense a vague discontent with the way the Republicans were running the government—discontent based on vague glimmerings that the Eisenhower Administration had failed to live up to expectations . . . vague feelings that it was too much a business Administration . . . vague feelings that the Administration was not suitably concerned with the economic problems of the farmer.

Except in a few local areas, these feelings were not pronounced or violent. Factors which controlled the outcome of the election were often purely local in character, or at least without general national significance.

Republicans would be able to control the Senate next year if one Senator from a western state had fully realized that he was practically unknown in his own state. If he had started campaigning a little earlier and made his name better known he almost certainly would have been elected. This would have premitted the Republicans to maintain their narrow majority in the Senate.

Control of the House goes over to the Democrats by no more than a working majority. And, in gen-

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*An address by Mr. Wilson at the 33rd Annual Meeting and Dinner of the Synthetic Organic Chemical Manufacturers Association, New York City, Dec. 6, 1954.

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Submerged Millions

By IRA U. COBLEIGH

Enterprise Economist

A year-end look at the progress in probing for petroleum in the tidal whale pastures of the Gulf of Mexico.

Not half enough attention has been given by investors generally to the vast petroleum potential of the offshore tidelands. Ask the average Joe about this and, chances are, all he can think of is a picture he saw in some newspaper of an oil drill platform in the Gulf being lashed by a tropical hurricane; and he wondered, vaguely, what it was doing out there in the water, anyway. Well, there was and is a king-size reason for its existence, and its offshore location. Let's examine the matter.

Ira U. Cobleigh

Everybody knows that a broad arc of land, embracing thousands of square miles, North, and Northwest of the Gulf, is just oozing with oil — Louisiana, East and West Texas, the largest oil and gas fields in the U. S. But what is less generally realized is that the same sedimentary geological formations that have been so fabulously productive on shore, are believed by the experts to extend for many miles out into and under the Continental shelf. This shelf is just what it says—it's a ledge that just juts out from Louisiana and Texas shores, from 20 to a 100 miles slanting off scarcely more than a foot a mile till it sheers off abruptly into the depths.

For some years there was a conflict in title to these wonderful whale pastures but that was resolved by the Tidelands Act (signed March 16, 1953) whereby in the case of Texas and Florida the states are deemed to own the land out to a point 10.38 miles from shore. Louisiana was accorded title to the acreage running out only three miles. (But this is not finally settled as Louisiana wants at least the 10.38 mile boundary and has even claimed 35 miles.) In any event, the land beyond these limits is Uncle Sam's.

Until this year, the only offshore oil leases signed had been with the separate states. Before 1950, when the title conflict landed in the legal arena, over $250 million had been laid out in leases, equipment, rigging, and considerable production brought in. Virtually nothing, however, was done in the period between 1950 and March 1953, while the lawyers were kicking the title around. For the past 18 months, however, the joint has been jumping. $150 million has been spent on state leases, and drilling units to bring them into payzones; and actual production now must be around 50,000 barrels a day, mostly from off Louisiana.

That leads us up to the second real-estate phase — the leasing of Uncle Sam's land further out. This was done, for the first time, on Oct. 14, 1954 and the best title for this event would seem to be "$130 millions can't be Wrong." For that was the dollar total of the bids on that eventful day.

For those companies and syndicates willing to risk seven figure wampum on the productivity of these submerged drill-sites, Uncle Sam offered a uniform lease—$3 a month per acre yearly rental, win, lose or draw, plus a 1/6th royalty on all production. Under these terms a number of companies started writing checks and when the bids were opened $128.7 million had been pledged for oil and gas lands, and $1,200,000 for sulphur leases.

Just so you'll recognize that this bidding was not made by impoverished peasants, note that $6.1 million was plunked down by Forest Oil Co. of San Antonio for 5,000 acres off Eugene Island (this works out to $1,220 an acre). Next in magnitude was the Gulf Oil bid of $6,007,000 for another single 5,000 acre tract (Gulf bid $36 million altogether). There were also quite a few others, including Kerr-McGee who pulled a boner and bid $15 million on the wrong section. The Department of Interior later allowed Kerr-McGee to withdraw its bid, however, and returned the $2.9 million down payment. Meanwhile, McGee had had a wistful vista of dropping $15 million; but it all turned out all right.

The first bidding for Federal tidelands, just recounted, was all off Louisiana. On Nov. 9 a second bidding was held, this time on the Outer Continental Shelf off Texas from Port Aransas to High Island. 38 tracts were offered but quite selective bidding seemed to center on 19 areas where, apparently, the most extensive geological bird dogging had been done. The fattest bid in this letting was by Magnolia Petroleum Co. — $2,209 per acre for 14,040 acres. The biggest total for any single tract, however, was $4,565,251.99 on 5,760 acres off High Island bid in by Standard of Texas.

It was not the intention above to clobber you with a lot of statistics, but you can easily see that if two Federal biddings on land under the sea bring in $150 million in less than a month's time, oil experts are willing to bet high stakes that a fabulous amount of recoverable oil lurks beneath the waves. In fact, a number of new flowing wells have been brought in in the last three months. Continental Oil hit with a discovery gas well 32 miles off Cameron Parish, La.; and Shell brought in a flowing well (215 bbls. high gravity daily) plus 120,000 C.F. of gas on a small choke at 7,370 feet. Both of these were in October. In November a "CATC" team (Continental, Atlantic, Tidewater and Cities Service) announced a gas distillate field 17 miles off Cameron Parish where the team has 38,000 acres under lease.

Important to any consideration of offshore production, are the newly designed rigs being built especially for sea floor drilling. These are of three sorts. The first was the permanent drilling platform, built on the ocean floor and generally in shallow water. This had the defect of being a fixed installation which had to be dismantled, if perchance, the drill proved arid.

The latest rigs are floating units, however, which can be towed to likely areas. Then they can be converted into firm drill platforms, in one design, by projecting downward from the rig platform, hydraulic steel pillars or caissons. These stand on the sea floor, like an outsize daddy longlegs, and support the platform, high and dry in up to 100 feet of water. The platform contains galley, and quarters for 40 or more personnel, plus space for drilling gear. J. Ray McDermott, Inc., Shell, Humble Oil, and C. G. Glasscock Oil Co. have, I believe, units of this sort. They cost $2 million or more to build and command a daily rental of $6,000 or more.

A second variation of the floating rig is the submersible platform built on caissons rising 60 feet above parallel pontoons. In this case, when the drill area is reached, the pontoons are flooded and sink to the bottom, mooring the drill platform safely and solidly above wind and wave; and sturdily enough to withstand 100 M.P.H. winds. Kerr-McGee pioneered in this type of craft, and a brand new unit, 200 feet long, and 74 feet wide, will shortly be placed in service by American Tidelands, Inc., an independent.

Now with all this land-grabbing and barge building going on you'll probably want to know which companies seem the likeliest to benefit from what may prove to be fabulous tideland production. My nominees would be Gulf Oil, Continental, Pure Oil, Standard of California, Socony-Vacuum, Monterey Oil among the majors. The common stocks of all these are listed NYSE. Specialists would include Kerr-McGee Industries, Inc., J. Ray McDermott, Inc. and American Tidelands, Inc. Stocks in these three are active over-the-counter with American Tidelands attracting considerable following possibly because of its price range —around 1¼ when this was written.

It is probably too early to predict just how big this offshore Gulf play is going to be. If, as some have claimed, there are 10 billion barrels of oil, plus a few stray trillion C.F. of gas, and sizable sulphur domes beneath these storied and once pirate-ridden waters, then indeed the title of this piece may appear as a gross understatement. In any event, big money, costly equipment, and much oil probing talent are at work here, with the gradual slope of the shelf simplifying the drilling, and the running of pipeline to the shore. 1955 may make a lot of major news for the tidelands, and for investors who make fortunate selections among enterprises at work therein.

Wall St. Xmas Tree To Be Lighted Friday

The Financial Community's traditional Christmas Tree in the center of Broad Street opposite the trading floor of the New York Stock Exchange will be lighted at 12:15 p.m. on Friday, Dec. 17, to the accompaniment of Christmas Carols sung by a 30-voice mixed choir.

Members of the Westinghouse Choral Group, dressed in scarlet choir robes to mark the Yule Season, will render a selection of well-loved carols.

The 50-foot Norway Spruce tree was erected by the Stock Exchange on Tuesday, Dec. 14, and will remain lighted throughout the holiday season. Christmas music will be played from the outside gallery of the Exchange during the noon hour and late in the afternoon.

This is the 31 year in which a huge Christmas Tree has brightened the financial district.

Led by Kenneth Thompson, the Westinghouse Choral Group will offer the following program on Friday:

Medley (Fred Waring Arrangement):
O Come, All Ye Faithful;
Away In A Manger;
God Rest Ye Merry Gentlemen.
Carol "Noel": Wilhousky.
Deck The Hall: Traditional.
Lo, How A Rose: M. Praetorius.
O Holy Night: Adolphe Adam.
First Noel: Traditional.
The Lord's Prayer: A. Hay Malotte.
Silent Night: Franz Gruber.

Harry S. Courtney

Harry S. Courtney, Manager of the investment service department of Peter P. McDermott & Co., New York City, has passed away.

Three With Rogers & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William C. Chadwell, Orell O. Lovejoy and Arthur L. Weir, Jr., are now connected with Rogers & Co., 511 Sixteenth Street.

The State of Trade and Industry

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

Total industrial output for the nation-at-large in the period ended on Wednesday of last week continued to advance and was approximately at the same level as a year ago. Production of steel and automobiles rose and for the first week in 1954 the number of freight carloadings was not only larger than in the previous week, but equal to those in the corresponding period a year earlier. Further, production of electric power was at an all-time high level.

Encouraging reports were also made the past week on recent claims for unemployment insurance benefits. Continued claims filed in the week ended Nov. 20 were 5% below the previous week and greater than in the comparable period last year by the smallest weekly percentage—23%—so far in 1953. In the week ended Nov. 27 initial claims for such benefits were 16% below the earlier week and 14% less than the 1953 comparative. Labor Secretary Mitchell announced, however, that 1,300,000 unemployed persons exhausted their unemployment insurance rights in the first nine months of 1954 without finding work. This was more than double the number in 1953.

According to the United States Department of Commerce business inventories increased in October, but not as much as expected. Stocks of manufacturers, wholesalers and retailers were valued at $77,900,000,000, $400,000,000 above the preceding month, but $4,400,000,000 below the year-earlier figure. Commerce Department officials had looked for a $700,000,000 rise during October. Sales of these firms totaled $48,700,000,000, up $600,000,000 from September, off $3,000,000,000 from October, 1953.

Steel production may have reached the high for the year this week and last, according to "The Iron Age," national metalworking weekly. Operations this week are scheduled at 81.5% of rated capacity, or 0.6 of a point below last week.

This is the first week since Labor Day that an increase in steelmaking operations has not been scheduled. Since Labor Day production has increased more than 30%.

Production is expected to dip during the holidays. But the seasonal decline will be less than usual because of the strong upsurge in demand.

With some exceptions, greatest market strength is in the Great Lakes area. This is confirmed by the following "Iron Age" district operating rates for this week:

Buffalo, 100% of capacity; Detroit, 92; Cleveland, 90.5; Wheeling, 88; Chicago, 87.5; West, 85; South Ohio River, 81; Youngstown and St. Louis, 79; Pittsburgh, 78; Philadelphia, 71; Birmingham, 67; and Northeast, 65.5% of capacity.

Almost all steel buyers contacted by "The Iron Age" indicate they are placing orders for more tonnage than they have in months. Although some products can still be had on almost immediate delivery, the trend is toward bigger order backlogs and more extended delivery.

In the automotive industry the past week production of the six-millionth motor vehicle of 1954 and continuance of heavy overtime operations highlighted the week, states "Ward's Automotive Reports."

The automotive trade publication estimated last week's production at 171,588 vehicles, 3.7% above the previous week's strong pace of 166,715 cars and trucks and the highest production week since that ending May 2, 1953, when 172,706 units were turned out.

Ford and Chrysler have all divisions programmed for Saturday work, it said, and Chrysler is scheduling Sunday manufacture in all key departments and supplier plants. Chevrolet has four final assembly lines scheduled for truck and car building Saturday.

"Ward's" reported, however, that on Friday last, Studebaker, Nash and Hudson were to shut down for two to three weeks on car assembly, while Studebaker truck production is to be halted for two weeks.

Continuing, "Ward's" said: Mercury, Lincoln, Packard, Hudson, Willys, Pontiac and all Chrysler Corporation car divisions were in higher gear the past week than the week before, with Chrysler output (35,500) expected to top any weekly level since Sept. 30, 1950, when 37,773 cars were built. All Chrysler car divisions are scheduling highest possible output for January through March.

Ford, meanwhile, held close to

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Observations . . .

By A. WILFRED MAY

INVESTING REFRESHER

We beg to present herein a summary of our philosophy in certain important investment areas—for the most part representing a minority viewpoint—as it has been running through this column. (It constitutes a partial recapitulation of a lecture series given by the writer.)

Underlying Policies and Objectives

An underlying characteristic differentiating investment from speculation is that the former assumes long-term value factors producing income along with capital conservation, while speculating concerns itself with market timing goals, with emphasis on relatively short-term capital gains.

A. Wilfred May

Behavior and policy should be fundamentally based on:

(1) Abstention from wishful thinking. Maintaining rigid attitude of seeking individual values in lieu of treating the market-as-a-whole.

(2) Preservation of long-term attitudes.

(3) *Diversification* of holdings, among:

(1) Fixed interest securities and common stocks.

(2) In former, between U. S. Governments and tax exempts (proportion to be varied with individual tax bracket).

(3) In stocks, among industries including both anti-inflation and anti-deflation hedges.

(4) In latter among different companies within industries, including both growth companies and defensive situations.

My method for appraising individual issues is premised on the invalidity of conceiving the market-as-a-whole, and of other prevalent attitudes, such as giving weight to short-term external and internal factors. My investment-value approach assumes market price tends to depart from value; creating continuing advantageous investment opportunities.

Because of inescapable imponderables and difficulties in scientific rigid mathematical appraisal of specific issues, emphasis should be on price reflecting favorable buying or selling opportunities (under- or over-valuation). Such opportunities have constantly existed.

Our value approach satisfies the need for realism, as regarding yield concepts. It likewise embraces the hardboiled common sense viewpoint that the money-rental and risk components of our investment should be taken care of in the buying price; to give the buyer the possbility of recouping his principal-with interest, plus a chance of profit. In stocks, as in real estate, we should calculate a buying price that indicates more to gain than to lose over the full term of the operation.

Earning power and balance sheet items should be weighed cold-bloodedly as media for the preservation and profitable employment of the investor's capital, not as scorekeeping figures. Incidentally, quantitative value findings on individual issues often *secondarily* give clue to status of general market.

"NET" PORTFOLIO POLICY.

(a) First, continually explore situations by value criteria.

(b) **Secondarily,** for emotional discipline, keep within predetermined maximum - minimum proportions between equities and fixed-interest securities. Proportions vary from low proportion of equities for the nervous or conservative - minded; to maximum for inflation-minded experts. But decisions on appraisal of individual issues must always have priority.

(c) Get additional confirmation from recognition of market foibles.

THE PROPER EMPHASIS ON FORECASTING.

(a) Some degree of forecasting is unavoidable in investment as well as in business and agriculture.

(b) But the forecasting element in business is regarded as unavoidable and kept secondary, as in making production and weather estimates.

(c) Likewise in the concept of genuine investment, should forecasting be kept to a minimum.

(d) Forecasting for its own sake is an act of speculation-gambling.

(e) Minimization of forecasting element is a correlative of true investment functioning.

In investment field, the forecasting element is over-emphasized as the end, rather than as an unavoidable accompaniment of sound criteria.

Reasons for the Inevitable Abortive Forecasting Results.

(a) The many imponderables.

(b) The absence of correlation between external political, economic and business factors on the one hand; and stock market movements on the other.

(1) Business-stock market divergence, 1925-29; and 1939 to date.

(2) War's unexpected market effect.

(3) Inflation's varying market effects.

(c) Reliance on internal market analysis.

(d) Fundamental fallacy of conception of "the market" as a whole, evidenced in:

(1) Divergence between groups over long- and short-terms; and,

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Business in 1955 May Top '53

By ROY L. REIERSON
Vice-President and Economist,
Bankers Trust Company, New York City

Dr. Reierson after studying present and prospective economic trends, concludes business activity in 1955 may equal or exceed the record year 1953. Foresees an overall increase of 3% in the gross national product and some higher business and consumer spending. Looks for some hardening of interest rates, along with a steady demand for capital and a larger supply of funds seeking investment. Says, although economic visibility is limited, precedents favor business recovery.

After remaining generally stable for the past six months, business is showing fairly convincing signs of moving upward once again. Economic activity at the present time appears to be at its highest level of the year. If this trend continues, the output of goods and services in 1955 might well match the record year 1953.


Roy L. Reierson

A repetition of the tight credit conditions that prevailed in the first half of 1953, however, is not in prospect for the foreseeable future. Although the decline in bond yields that prevailed in early 1954 came to a halt later in the year and some firming would not be unexpected, the present outlook is for investment funds and short-term credit to remain available at relatively low cost. The monetary authorities are not likely to embark upon a policy of general credit restraint unless the upturn in business becomes substantial, or prices rise, or credit undergoes a rapid expansion.

Current Business Improvement

Recent signs of rising economic activity are the first since mid-1953, when business began to drop off. That decline, however, was from a peak of unusual business strength, reflecting at least in part the rebound from the steel strike of 1952 and the exercise of demands which had accumulated in the preceding two years of economic controls. In retrospect, it is surprising that the 1953-54 downturn was so moderate. Presumably the consequences might have been more serious had it not been for the prompt reversal in Federal Reserve credit policy, the cushioning effects of tax cuts and unemployment benefits, the strength in construction and sustained public confidence in the future.

Signs of an Upturn—For more than a year, the economy has felt the effects of a number of drags which began to take hold in 1953. These included (1) a reduction by more than $10 billion annually in defense spending, together with a substantial realignment of defense orders; (2) a reduction in the Treasury's cash deficit from $5.2 billion in fiscal 1953 to a nominal amount in fiscal 1954; (3) the liquidation of business inventories at an estimated annual rate of $4 billion; (4) a downdrift in business spending on plant and equipment in 1954; and (5) weaker markets for automobiles and some other consumer durable goods.

Current conditions suggest that the force of these drags has subsided. Defense orders have recently increased, and the early introduction of new automobile models this year has stimulated production. The improvement so far has not been spectacular; to some extent it reflects the seasonal upturn customary at this time of year. In October, 1954, the Federal Reserve index of industrial production, adjusted for seasonal variation, stood at 125% of the 1947-49 average, only one point above the preceding month, and still seven points below October, 1953.

However, the expansion of activity seems to be fairly widespread, especially in the durable goods industries, a strategic sector of the economy, and there are indications that business is once more moving upward. A striking demonstration is the steady rise in the rate of steel operations from 63% of capacity in early September to 80% by mid-November, and the prospects are that the rate will be well maintained in the coming months. Also significant is the increase in new orders for durable goods, accompanied by the first rise in the backlog of unfilled orders in about two years. Employment has increased and weekly hours of work have advanced.

Patterns of Recovery—It is admittedly precarious to forecast trends on the basis of developments which are both recent in origin and modest in size. The important question is whether the business upturn is likely to be broad and sustained, or whether it may be short-lived and followed by a renewed decline in the near future.

Some comfort may be gained from the historical record, which shows "false starts" to be the exception rather than the rule. In the 35 years since World War I, only in 1931 has a business upturn, once started, failed to make substantial progress. The record also shows that there have been four previous business declines in the period which appear generally comparable to that of 1953-54, namely 1923-24, 1927-28, 1937-38 and 1948-49; we may exclude from consideration here the sharp postwar correction of 1920-21, the Great Depression and the drop in production immediately after World War II. In the four comparable periods of business adjustment, business activity took between 15 and 27 months to recover to the level of the peak immediately preceding the downturn. Consequently, unless the present recovery is exceptionally slow, the index of industrial production may be expected to reach its mid-1953 peak of 137 before the end of 1955.

Obviously, historical analogy may not be a reliable guide to the future. Hence it is desirable to review more closely the prospects in some of the important sectors of our economy.

Business Spending and Investment Activity

The high levels of residential building and commercial construction in 1954 helped moderate the economic decline. This strength of capital outlays during a period of lower business activity augurs well for the year ahead; total construction is expected to continue upward, while the declining trend of business spending on plant and equipment gives promise of leveling off. Inventories appear in better balance than a year ago, and past experience indicates that industrial production may move upward even before inventory liquidation is wholly completed.

Construction Activity—Residential building has been increasingly active in 1954; starts have spurted in recent months and will total about 1.2 million in 1954. In part at least, this vigor appears due to the stimulus provided by the Housing Act of 1954, but signs of greater activity were already evident several months before the Act was passed.

The latest government estimates project 1.3 million starts for 1955, and this appears to be a resonable expectation. The outlook is supported by the generally firm trend of rentals; vacancies are still subnormal in many areas and appear to be concentrated in high-priced or substandard accommodations. Also, personal income is likely to rise further, credit is adequately available and financing terms are liberal. Births are high, the move ment to the suburbs continues strong, and many veterans have not yet exercised their rights under the VA financing program Finally, although family formation has declined substantially from its peak, more single and older people are establishing separate households.

In addition, commercial building and most other types of construction are at peak levels, and despite some decline in industrial construction, an even higher record is likely to be established in 1955. In fact, the latest government estimate shows a 7% rise in private construction outlays for the year ahead.

Plant and Equipment — One of the more encouraging features of the recent business adjustment has been the relatively small decline in plant and equipment expenditures. As to 1955, opinions differ. The Federal Reserve Bank of Philadelphia has just released a survey which shows that manufacturing corporations in that area expect to reduce their capital expenditures by 20%, with substantial stability of outlays indicated by public utilities. The latest McGraw-Hill nationwide survey of business spending intentions on plant and equipment has yielded a more favorable estimate, namely a total reduction of 5% in 1955, with the prospect of stability in 1956. This is hardly a pessimistic appraisal, especially since it implies no significant decrease below the rate of spending in the final quarter of 1954. With business sentiment improving, the outlook for capital outlays is less likely to deteriorate.

Business Inventories — The reduction in business inventories, which has been under way for more than a year, has been relatively small, amounting to about 6% or so, and has been orderly. The easy credit policies pursued since mid-1953 have prevented stringency in the money market and have helped forestall any spiral of credit contraction, so that forced liquidation of inventories has been conspicuously absent. Also, the inventory reduction was eased by the continued high levels of consumer spending.

Most of the inventory decline in recent months has taken place in manufacturers' stocks of durable goods in process or finished. The liquidation of raw material inventories appears to have been largely completed earlier this year. Wholesalers and retailers likewise appear to have some months ago worked their stocks down to levels viewed as satisfactory.

Evidence regarding inventory conditions is still inconclusive. Some observers believe that the modest character of the liquidation to date presages its continuation for some months, while others feel that most stocks have already been reduced to desirable levels, and perhaps even below these levels in some instances. On balance, the signs seem to favor the latter view, and the prospects are for inventory liquidation to subside. Barring another inflationary scare, however, large-scale resumption of inventory accumulation is not indicated in the months ahead.

Consumer Expenditures

Consumer spending in the 1953-54 adjustment was well maintained in the aggregate, even though buying of durable goods declined from the very high level that prevailed in the first half of 1953, after government restrictions upon their output had been removed. Personal income, supported as it was by social security payments and unemployment benefits, declined only moderately in 1954, and income after taxes inched upward as a result of the reduction in income taxes at the beginning of the year.

Consumer spending in 1955 is likely to expand, possibly by 3% or so. Increases in employment, in average hours worked, and in average hourly wage rates may be expected to contribute to higher personal incomes. At the same time, there is some evidence that consumers may have become willing to spend a slightly larger share of their incomes. Also, growing population should mean greater spending on nondurable goods, while the market for durable goods may be sustained by active residential building, the new automobile models and energetic sales efforts.

The Automobile Market — The prospects for automobile production in 1955 have been very much in the news in recent weeks, and since consumer buying of new passenger cars generally has some influence upon total output and employment, the outlook for this sector of the economy deserves mention. Some observers appraise the domestic market for passenger cars in 1955 as only nominally (2-3%) better than in 1954, while others believe it holds promise of an increase by as much as 10%.

There is little doubt that the many changes made in the 1955 model improve the sales outlook, but it is still too early to obtain reliable indications of the public's reaction to the new cars. Another favorable factor is the prospect that personal income may increase in 1955. Selling no doubt will be aggressive, possibly assisted by some further loosening of consumer credit terms.

On the other hand, the earlier introduction of models this year probably means that some of the sales for 1955 may be included in 1954 results. Also, there is uncertainty as to the outlook for used car prices, an important factor in the new car market. Finally, since practically all makers have already made substantial model changes, some question may be raised concerning market prospects in the latter part of 1955.

On balance, the new car market in the first half of 1955 is likely to be favorable, but the comparison with 1954 may be less satisfactory in the latter part of the year. Consequently, present prospects suggest that 1955 as a whole will be a good automobile year but not substantially better than 1954, and that the conservative expectation of an increase by not much more than 2 to 3% over 1954 may prove a realistic one.

Government Outlays

While state and local governments substantially increased their spending in 1954, the growth was more than offset by the sizable cutbacks in Federal Government disbursements. In 1955, by contrast, the government sector as a whole is likely to provide a net addition to total demands, since state and local outlays are scheduled to continue upward while the big reductions in Federal spending appear behind us.

Federal Government Expenditures—Since about the middle of 1953, the Administration has made substantial progress in its endeavors to reduce Federal spending, and these efforts are persisting. The rate of spending has already been reduced to the level indicated by the official budget estimates for the fiscal year 1955, and the year's total expenditures may run somewhat below the forecast. However, the pattern of spending by the Federal Government in the 12 months ahead will be importantly affected by the budget plans for fiscal 1956, which will not be made public until January.

Examination of Government spending programs may well show some further decreases that could be achieved, but additional cuts of the magnitude already accomplished are not in prospect, at least until there is evidence of a basic improvement in the international situation. With Treasury receipts expected to decline by a larger amount than expenditures, the cash deficit in fiscal 1955 consequently may increase by $1 to $2 billion, in contrast to the $5 billion decrease in the preceding year.

State and Local Spending—Outlays by state and local governments, at the same time, are continuing their steady upward trend of the postwar years. This trend reflects higher costs of government and rising expenditures for public facilities of all kinds, and shows no signs of abating. State and local government spending is likely to register another increase of $2 to $2½ billion in 1955.

Outlook for Interest Rates

All these considerations suggest a somewhat higher level of business activity for 1955, at least as far as can be gauged at the present time. If business continues to improve, the prospects are that total credit demands will be well sustained in the months ahead and may even increase somewhat. Economic forces may thus be operating to keep interest rates generally firm, and perhaps lead to some hardening. However, any increases are likely to be of moderate proportions.

Demands for Credit—Short-term credit requirements in 1954 do not appear to have increased significantly over 1953 in the aggregate, but some rise in the volume of short-term credit may be expected in 1955. The end of inventory liquidation and some improvement in business activity should relieve the downward pressures on bank loans to business, although any large increase in such loans appears doubtful in the absence of renewed large inventory accumulation. Consumer credit, which leveled off in 1954, may reach a new peak in 1955, but the rise is likely to be relatively modest.

Long-term investment funds may be expected to find continuing outlets in the high and rising level of private and public construction. With residential building strong, the growth in outstanding mortgage debt in 1955 may well equal or surpass the large increase of 1954. Net long-term borrowings of corporate business are likely to decline further in the aggregate, but financing by the utilities' sector will probably be well maintained. State and local demands for new money are expected to show a further increase in 1955, even though the proposed new highway program is not likely to be an important factor until after next year.

While sustained high demands for investment funds are indicated for 1955, the upward pressures on bond yields are likely to be dampened by the continued large flow of funds seeking investment. These funds have contributed importantly to the steady tone of the bond market in the current year, and are expected to be as large or larger in 1955.

Credit Policy—Interest rates, in addition to being influenced by the demand-supply situation in the market place, are constantly subject to the actions of the credit and debt management authorities. Under the flexible credit policy followed by the Federal Reserve, the authorities may be presumed to be ready to shift from their current policy of "active ease" into a policy of neutrality and then into a policy of credit restraint if such action is deemed necessary for the maintenance of economic stability. However, conditions under which such measures would suggest themselves do not prevail at this time nor are they likely to develop in the near future. At present, the authorities would probably be reluctant to jeopardize an expansion in production or employment either by reducing the availability of credit or by contributing to uncertainty in the markets.

Debt Management—Economic considerations are presumably also relevant in the determination of Treasury debt management policy. The encouragement of investment spending is one of the key economic objectives of the Administration, as evidenced by the flexible depreciation provisions of the 1954 Revenue Code, the more liberal financing terms of the new Housing Act and the current proposals for a greatly expanded highway program and encouragement of foreign investment. Against this background, it is difficult to visualize the Treasury competing energetically with other users of long-term investment funds unless convinced that investment spending is reaching proportions that might injure the health of the economy. The Treasury's failure to include a long-term bond issue in the recent large refunding of December maturities probably provides a clue to its present thinking.

Another consideration which speaks for continued caution by the Treasury in managing the debt is that the major savings and investment institutions do not appear interested in acquiring any substantial amounts of long-term Treasury obligations so long as home mortgages and other investments are available at better yields. Should the Treasury nonetheless desire to issue a long-term security, it would be confronted with the choice either of making a small offering, which would complicate the debt structure without achieving much in the way of lengthening maturities, or of pricing a large offering so attractively as to persuade institutional investors to shift from corporate and municipal securities and mortgage debt into Treasury obligations, with the risk of unsettling the bond market and perhaps the housing market as well. Neither alternative appears desirable under present conditions.

Conclusions for 1955

The preceding review of economic conditions indicates that the pressures of inventory liquidation and declining defense expenditures, which acted as a drag upon the economy through most of 1954, have begun to dwindle. In addition, business is being stimulated by the resumption of large-scale automobile production, increased defense orders and the vigorous trend of construction.

Prospects for the Year—The outlook for 1955 appears relatively favorable. As a reasonable guess, the gross national product, which is a measure of the total output of goods and services, may increase by about 3% or so over the $357 billion estimated for 1954. This would bring output in 1955 up to, or conceivably slightly

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Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy—Why?—Booklet describing reasons why atomic fuel appears attractive as a future source of energy—Public Information Office, Consolidated Edison Company of New York, 4 Irving Place, New York 3, N. Y.

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

Canadian Economy—Monthly report—Bank of Montreal, Montreal, Que., Canada—New York City office, 64 Wall Street.

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

Canadian Mining Securities—List of securities paying dividends for more than 15 years—Draper Dobie and Company, 25 Adelaide Street, West, Toronto, Ont., Canada.

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

Federal and State Stock Original Issue and Transfer Tax Rates—Free Booklet—Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

Glass Industry—Analysis in current issue of "Perspective"—Calvin Bullock, 1 Wall Street, New York 5, N. Y.

How to Put "Life" in Your Stock Portfolio—Ira U. Cobleigh—Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.—$1.00 per copy.

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

Investment and Speculative Stock Groups — Tabulation — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Union Oil Co. of California.**

Japanese Business Reports — Review — Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Neglected Blue Chips—The New York City Bank Stocks—Bulletin, Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **National Steel Corporation.**

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.

Positive Investment Policy for 1955—Study—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Price Trends in Rails—Report—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Stock Transfer and Registrar Services—Booklet—Stock Transfer Department, The Chase National Bank, 11 Board Street, New York 15, N. Y.

Telephone Statistics of the World—American Telephone and Telegraph Company, 195 Broadway, New York 7, N. Y.

"Videotown 1954"—Brochure surveying growth of television and its impact on the American Public — Cunningham & Walsh Inc., 260 Madison Avenue, New York 16, N. Y.

* * *

American Enka—Report—Walston & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Rochester Telephone** and **Suburban Propane Gas Corp.**

American Locomotive Company—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

American Motors Corporation—Report—Thomson & McKinnon, 11 Wall Stret, New York 5, N. Y. Also available is a survey of the outlook for 1955 of **Fixed Income Securities.**

American Telephone & Telegraph Company—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Baltimore & Ohio Railroad Company—Circular (No. C-16)—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Chesapeake & Ohio Railway vs. New York, Chicago & St. Louis Railroad—Bulletin (No. 182)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Colorado Fuel & Iron Corp. — Analysis — H. E. Herrman & Cohen, 52 Wall Street, New York 5. N. Y.

Allen B. Du Mont Laboratories, Inc. — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Electronics Corporation of America—Analysis—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Harley Patents, Inc.—Bulletin—E. E. Smith Company, 15 William Street, New York 5, N. Y.

High Voltage Engineering Corp.—Memorandum—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

Kewanee Oil Company—Card memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Massachusetts Bonding and Insurance Company—Review—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Pennsylvania Railroad—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y.

Philips Incandescent Lamp Works, Ltd. (N. V. Philips Gloeilampenfabrieken)—Analysis—Kippen & Company, Inc., 607 St. James Street, West, Montreal, Que., Canada.

Plastic Wire & Cable Corp.—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, 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.

Royal McBee—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Ruberoid Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Socony-Vacuum—Reprints of talk by B. Brewster Jennings, President, Socony-Vacuum Oil Company, Inc., before the Security Analysts of San Francisco—Socony-Vacuum Oil Company, Inc., 26 Broadway, New York 4, N. Y.

Unilever, N. V.—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Church Money Raising

By ROGER W. BABSON

Mr. Babson comments on new methods of raising money for churches, which combines the religious with the business appeal. Says fundamentally business prosperity is dependent on our spiritual growth, and contends same principle applies to business concerns and to wage earners.

During 1936-1938 the Moderator of the National Council of Congregational and Christian Churches made a revolutionary suggestion for raising money. He combined a religious and business appeal. His words then fell on barren soil. The leaders of the great church denominations called his suggestions "sacrilegious." He had preceded them with two books published by the Macmillan Company entitled "Enduring Investments" and "Religion and Business."

Roger W. Babson

Feelings Have Changed Since

If you will turn to page seven of "Time Magazine" for Oct. 11, 1954, you can read a most remarkable advertisement of a Church Money-Raising Organization. I don't know anyone connected with this group. Hence, this column is not to help its business in any way. The advertisement, however, shows that a spiritual revolution is simmering.

Every reader must know of the universal habit of the members of certain churches to give one-tenth of their income to their church. The members of most churches, however, are—in plain English—stingy. They try to get by with giving as little money as possible to the Lord's work. Too many will not give until personally asked. This requires organized campaigns and personal calls. Then, when solicited, they give as little as possible and still retain their social standing.

New Appeals for Money Raising

This attitude is changing in a marvelous manner. It makes me hopeful for the years ahead because, fundamentally, business prosperity is dependent on our spiritual growth. The modern church canvasser no longer begs. He now merely says: "Statistics show that your family, your business, and your community will prosper in accordance with what you and others give. I am asking you to subscribe to an enduring investment. The more you invest therein the more you will get out."

This new concept is not based upon "how much the church needs," but upon the fact that **you and I need to give more in order to offset our sins and develop spiritual power.** It links up personal prayer with a giving campaign and makes giving a form of prayer, meditation, and worship. The Catholic Church has long preached this; but most Protestant Churches are just awakening. The reaction is not "How much will I give to the deserving, but what will I give in order that I, myself, may live?" The giver is taught to understand that the more he gives in proportion to his income, the better off spiritually he himself will be.

Same Principle Applies to Your Business and Jobs

I, however, am interested in this Revolution in Fund Raising for a far greater reason. These "New Look" Giving Campaigns are led by successful businessmen who start off with large personal gifts, more than they have ever given before. They give principally for their own spiritual growth and not just to help a needy cause. But does it occur to them to apply the same principles to their own business?

I believe some physicians and other professional men have this desire to give every day of the week. Also some insurance and other salesmen pray about their work. But how many manufacturers or merchants make their business a part of their spiritual worship? How many church members, holding jobs in factories, have in mind the buyer who is to use the product they are making? I forecast that the time is coming when both employer and employee will pray for the consumers and customers. If this appeal of these modern Fund Raisers could extend to our everyday jobs, think what could happen! An economic revolution would take place equal only to the great Renaissance (1400 through 1600). And based upon past history, another such may soon be due.

In fact, the Church Canvasser who calls upon us with this new message may be blazing the way for a new spiritual Renaissance. According to cycle theory, history must repeat itself—for good things as well as for evil things. Furthermore, there are many different cycles always in operation. It is the dominant one which will affect us. Perhaps that will begin with a new attitude toward giving—not only to our Church and Charities, but also to our customers and the users of what we help make. Only such can save us from Communism.

Looking Ahead in Uranium

By W. B. HALL*

General Manager, Vitro Uranium Company

Characterizing the uranium industry as an infant that may grow up to be a giant, Mr. Hall points out that $100 million has already been invested in its exploitation. Explains composition of the uranium atom, and the processes required to tap its energy. Points out real answer to the future use of uranium lies in the possibility of its peaceful power production, and forecasts a growing demand for uranium, despite likelihood of its abandonment for military purposes.

I would like to talk to you about an infant industry—uranium. The stories of Mr. Steen, Mr. Pick and Mr. Cooper—of the Salt Lake stock boom—of the swarming crowds at Moab — these have been told and retold. Let us, instead, look at this new baby, his health and his environment, and try to guess how he will get along as he grows up, or, for that matter, whether he will grow up. I call uranium an infant industry — a baby. Regardless of the publicity, it is just that, both in age and in size. Although conception may be said to date back 50 years ago to Einstein's Ph. D. thesis at the University of Zurich and his now famous equation $E = MC^2$, a more logical date may be 1939, when the late Dr. Fermi and others proved this equation by splitting the atom's nucleus. Gestation was long. The birth date might be set at Dec. 2, 1942, just 12 years ago today, when a group of famous scientists, led by Dr. Fermi, celebrated the first chain-reaction under the Chicago Stadium in an abandoned squash court. From a domestic standpoint the birth date might better be called 1948. It was then that the newly formed Atomic Energy Commission embarked on its program to encourage the exploration and mining of uranium in the continental United States.

William B. Hall

Now, six years later, the baby has grown, but he is surely no giant. A high official of the Atomic Energy Commission recently stated that, with the expenditures for prospecting and exploration added to those of production and construction, we now have at least a $100 million uranium industry. The duPont Company alone had sales far exceeding that figure during every month in 1954. The manufacturers of the United States spent $10 billion during 1954 just on capital expansion. At the end of fiscal 1954, the capital investment of the government in atomic energy without allowance for depreciation amounted to $5.7 billion accumulated since the first appropriation in 1940. This, of course, includes the Savannah H-Bomb plant, Hanford, Oak Ridge and others. Incidentally, the Atomic Energy Commission is not the spreading octopus it is sometimes believed. In March, 1954, there were only 6,258 A.E.C. employees—rather few when we think in terms of today's Federal Bureaus. It should be noted, however, that in line with one of the objectives of the Atomic Energy Act of 1946—"To promote free enterprise" — much of the Commission work is carried out by private industry contractors.

Will the Industry Grow?

So we do have an infant in terms of American industry. Will he grow? And how much?

I have before me a so-called report by a so-called "Economic Research Bureau" — one of the many such pamphlets that we receive these days. This one is entitled "Why the Uranium Industry Faces a Serious Depression." The gentleman who wrote this picks up a few so-called facts and then concludes that we have too much uranium already because:

(1) A tiny amount is all we need for peaceful energy; and

(2) The hydrogen bomb makes the atom bomb and the need for uranium passe for war.

I believe that the writer of this pamphlet is somewhat confused. To explain why, we will have to take a brief look at the atom and at atomic energy.

Most of us know that the atom is defined as the smallest particle which cannot be divided by chemical means. The atom consists of a nucleus which we may consider to be like our sun, around which are the rotating electrons, like our planets. The electrons which have (for all practical purposes) no weight, carry a negative electrical charge and now and then become disengaged or close-locked with the electrons of other atoms in chemical combination. This gives us the millions of molecules, which make up the common substances around us; air, water, wood, and even human beings. The elements are numbered in accordance with the number of practically weightless electrons in the atom. Hydrogen has one electron and is No. 1, and is the lightest known to man. Normal uranium has 92 electrons, and is the heaviest natural substance.

It was originally thought that in the nucleus of the atom there were only protons, positive charged particles which balanced the negative charged electrons, and which gave weight to the atom. However, as the science developed, the relative weights of the different elements were found not to vary in accordance with the electron and proton quantity, and another neutral particle carrying weight was postulated as being part of the atom's nucleus. Thus, helium, the next lightest element to hydrogen, has two electrons and two protons (where hydrogen has one of each) but helium weighs approximately four times as much as hydrogen. It is assumed that helium, therefore, has two additional particles called neutrons in its nucleus, along with the two protons and the two encircling weightless electrons. Later studies of the nucleus have developed the fact that additional particles are present, such as mesons, positrons, and others. However, we need not consider them here.

Normal uranium is 238 times as heavy as hydrogen. There are 92 protons in the uranium atom as against the one in hydrogen, and the rest of the weight is assumed to be made up of a number of neutrons. There are, however, types of uranium which exhibit all of the chemical characteristics of normal uranium, but which do not weigh as much as normal uranium. These are known as isotopes. U-235 is an isotope of uranium. It has three less neutrons in the nucleus.

If we could split this nucleus (a phenomenon known as fission) a strange thing happens. Some of these neutrons (which have weight) take off into space. We find that uranium, when split, will form other lighter elements, but that these elements will have less neutrons than the original uranium atom, and therefore, the weight of the parts does not equal the weight of the whole. The weight loss has been converted to energy in accordance with the Einstein equation, $E = MC^2$.

Uranium is radioactive—that is, particles are being constantly emitted from its nucleus. Its half life is 4½ billion years, however, and we needn't worry about the disappearance of our Utah deposits.

U-235, the isotope, is naturally fissionable, and it is the only

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*An address by Mr. Hall before the monthly meeting of the Utah Securities Dealers Association, Salt Lake City, Utah, December 2, 1954.

Our Foreign Economic Policy

By CLARENCE B. RANDALL*
Chairman, Inland Steel Company
Chairman, President's Commission on Foreign Economic Policy

Author of the well known "Randall Report" on foreign economic policy, after describing the composition and work of the Commission he headed, points out world economy is strangely distorted, and the Marshall Plan was an abnormal approach to sound international economic relationships. Says problem now is to bring about an increase in world trade, and gives his interpretation of President Eisenhower's foreign trade program. Advocates using mechanism of the Investment Trust in aiding flow of outward capital. Stresses a gradual and selective reduction of tariffs as an evolutionary and not a revolutionary approach to world trade problems.

I am going to talk about the foreign economic policy of the United States and the President's program in that field. I am going to give one man's opinion, for what it might be worth. I shall try to refrain from exhorting anyone to agree with me. But I shall try in the tradition of vigorous debate that prevails in this virile institution to let you have it right between the eyes. Let it be understood, though, that I am giving my interpretation of the President's program in this speech, not his. Our distinguished and beloved President is able to speak for himself. So, this is my interpretation.


Clarence B. Randall

For 16 months, I have been immersed in this subject and whatever ideas I may have had at the beginning, I cannot recall. Those that I have tonight are distilled from that experience. I could only wish that my stalwart friends Lamar Fleming and Cola Parker and Jesse Tapp were here with me tonight. They have such a host of friends in this audience from the South and the West and Middle West. Together we struggled with the problems of the Commission on Foreign Economical Policy and those two great citizens, Fleming and Parker are tonight in Geneva, representing their country in negotiations having to do with the general agreement on trade and tariffs (GATT). And whatever you may think of the report of the Commission on Foreign Economical Policy—and don't tell me now — I offer you that thought.

We were 17 men appointed by the President, 10 from Congress and seven from the public, and we representing the public had scarcely seen each other before.

We seven from the public came from both parties and we came from every part of the country, and we came from management and labor. In the course of four months, we met 26 full days which is conscidered "par" for the course for government commissions.

We went to Europe, we heard 65 people for periods of 45 minutes each, people who had borne great responsibility in this field. We received documents from 650 industrial and trade associations. At the end of our deliberations, we arrived at a program by a vote of 14 to 3, which I submit is a greater deal of unanimity than can be found in this audience on any subject I might suggest, not excluding the 10 Commandments.

The seven members appointed from the public—including David MacDonald and Clarence Randall, from labor and management, who had sat on opposite sides of the collective bargaining table — we seven arrived at an unanimous conclusion. I offer you that fact as evidence that which I shall present to you tonight, was not arrived at hastily, thoughtlessly or with bias.

I have always been impressed with that sentence which the President coined, which says, "The United States today bears an awesome responsibility in the world. Our actions, our words echo back to us from every corner of the world. We did not seek that destiny. It was thrust upon us; and there is no man living, no wise man, to turn back those pages of history and cause to pass from us that cup of responsibility which has come to us."

There is involved, I believe, in this subject which I shall present, a two-fold interest of our country; first, that of military security which requires that we have associated with us in the battle for freedom — nations that are economically sound as well as friendly, and secondly, that our own domestic economy requires the world for its market if we are to go on having the steadily rising standard of living and increased volume of production.

A Distorted World Economy

The economy of the world is strangely distorted. At the close of the war much of the world as we have known it was prostrated. After two wars the capital equipment of many nations has been destroyed. They had lost their leadership and finest workmen. They have lost their liquid resources from having had to throw everything into the battle for survival, and they were an easy prey for Communism. Under those circumstances the Marshall Plan came into being, and I say that the Marshall Plan would have come into being no matter what political party had been in power nor what President in the White House.

I have never believed it was a partisan issue.

The world was on fire and something had to be done about it. I happen to believe that the Marshall Plan saved for our side great countries like Austria, and stopped Communism in its tracks.

There were, of course, faults of administration. We ought to know; many of us from NAM were in it, and many of the faults were ours.

They were faults of administration because this gigantic effort was something such as the world had never known.

We had no reserve of able and trained men to take over that kind of task. Things were badly done and those for whom we did them were not always grateful.

We were not there to seek gratitude—we were there to achieve the security and welfare of our own nation.

The Marshall Plan was an abnormal approach to the development of sound economic relationship in the world. It had many faults. In the first place it extended its aid to government and that caused many nations to advance down the road of central planning and socialism because we made large sums of money available to governments to distribute as they saw fit. There was no other way, but it did not advance those principles in which we of the NAM believed, and those principles as I learned them here.

The principles which I believe are the basic three that count for the vitality of the American economy are: first, individual initiative and reliance on private resources; second, strong, vigorous competition; and third, the free market.

And it seems to me that at the present time that the issue facing our country is how to cause to be released in the world those three vital forces.

Since the Marshall Plan was not well conceived for those purposes, being solely an emergency measure, I take it that the American people have decided that large grants of economic aid should terminate.

But terminating them means that something still must be done to restore the world economy and take it from its present distorted condition. The entire world must buy American products but the others have nothing with which to balance their trade budget. Trade must be two way.

We have been pouring values out of this nation since the end of the war, and for those values we have received no payment. Either the world must be permitted to earn its way, or we must cut back that outward flow of products from the United States, and thus restrict our own economy.

The Problem: Increase in World Trade

The problem therefore is how to bring about an increase in world trade and offer hope of a steadily rising volume of production in the world.

The President's program, announced last March 30, was his answer.

I say with entire confidence that that program will be resumed in the coming year, and will constitute the first order of business before the new American Congress.

I ask you to consider it as a package of which all parts must be held together in an entity if progress is to be made toward sound world trade conditions.

Obviously the first force to be considered is what may be done to cause a strong outward flow of American private investment capital into the under-developed parts of the world.

That would help greatly to create markets for Americans and provide the means with which the goods could be paid for.

That outward flow of investment capital must be for gain under the incentive system. Private American capital must do it because we want to and it must be because we will make more money than by investment in the United States.

There are road blocks to that outward flow. There are road blocks in the other countries. We must use our best efforts to bring it to pass, by persuasion, that other countries will create an environment for our capital that will attract it.

Just a year ago my wife and I had the privilege of flying to Turkey where I studied these questions for our government. What are the reasons for our not being able to do this? There are many, and many I haven't thought of. I will name one to show a curious example. No Turk has ever told anybody what his assets are worth. Not even his wife knows. If he is told he must pool his savings with a few other people, in something called a "company" and then tell the country what the assets are of that company, he is taken aback. We think nothing of doing this and we have certi-

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*Stenographic transcript of an address by Mr. Randall before the 59th Annual Congress of American Industry, sponsored by the National Association of Manufacturers, New York City, Dec. 3, 1954.

Toward an Acceptable Contracyclical Policy

By H. P. B. JENKINS
College of Business Administration
University of Arkansas

In reappraising the present policy of combating business cycles, Professor Jenkins discusses the strategy of the three major premises of Dr. Burns, Chairman of the President's Council of Economic Advisers, as published in the "Chronicle" of Oct. 21, 1954. Sees a dilemma in the current fashion in contracyclical policy, because it necessitates a choice between "stability" and "genuine prosperity." Asserts if we always chose the "stability" horn of the dilemma, we may be running the grave risk of killing free and competitive enterprise even before we overcame the business cycle. Concludes policy should be one in which business stability and economic efficiency should be mutually reinforcing and not counteracting.

If, as I suspect, we are not all completely satisfied with the current fashion in governmental operations against the forces of cyclical business fluctuations, then the two years before the next general elections may be a good time to make a reappraisal of our whole contracyclical policy. As a contribution to a realistic discussion on this subject, I offer the following remarks, which are organized under three key questions: (1) What is the real nature of the currently fashionable kind of governmental operations against the business cycle? (2) What general principles constitute the appropriate criteria for use in appraising our present contracyclical policy? (3) Does the current fashion in governmental action against the business cycle constitute a cure that is worse than the disease?


H. P. B. Jenkins

I

Contracyclical War

The first step in trying to learn the real nature of any unfamiliar phenomenon is to put it into its correct classification. For example, suppose the proverbial man from Mars were to investigate the outdoor activity which attracts multitudes of cheering and booing spectators to our university towns on Saturday afternoons in the fall of the year. He would be getting close to the truth when he had classified that activity as a "game." When he had extended his investigation far enough to identify the species as "football," he would be on the road to complete knowledge of the phenomenon. For he could then study the published literature on the genus "game" and the species "football," and thus learn all he wanted to know about that particular subject. Similarly, if anyone wants to understand the real nature of the currently fashionable kind of governmental operations against the forces of cyclical boom and bust, the first step is to put those operations into the correct classification.

The currently fashionable governmental operations against the business cycle are certainly not a kind of game nor do they constitute a kind of business competition. They cannot be classified as engineering operations against hostile forces of nature, since the cyclical forces of boom and bust are directed by unpredictable decisions of human beings. They do not constitute government interventionism of the ordinary "rob Peter to pay Paul" kind, since they do not consistently discriminate in favor of any particular groups of the population. And they are expected to extend far beyond the limits of the conventional regulating, policing, and umpiring functions of a national government.

In short, these currently fashionable operations belong to the genus "war." Our national government is expected to wage a war of extermination or, at least, of "containment" against the cyclical forces of boom and bust, with the latter designated as the most dangerous enemy. Not an ordinary military war, to be sure; yet it is a fateful kind of conflict which resembles war more than any other category of organized social action. It is a species of economic warfare against an unpredictable enemy. Using a convenient blanket word for the name of the species, let us call it a "contracyclical war." Starting with his classification, a student of the strategy of "contracyclical warfare" can draw upon the store of knowledge in the published literature on both military and economic theory.

Although most recommendations on the strategy of contracyclical war go no further than plans for static defense against disequilibrating changes in aggregate demand, readers of *The Commercial and Financial Chronicle* were recently given a chance to examine excerpts from a comprehensive plan of grand strategy for the conduct of this species of warfare. When Dr. Arthur F. Burns, Chairman of the Council of Economic Advisers, ventured "to say something . . . about the major premises on which the basic economic policy of our government has recently proceeded," he revealed enough identifiable fragments to permit any student of military theory to fill in the remainder of the government's grand strategy in its conflict with the business cycle.[1] Let us take a close look at the grand strategy which can be reconstructed around Dr. Burns' three major premises:

The First Premise

"The first premise of our governmental policy, as I see it, is that we are living in an age of revolution. Violent political currents are stirring the world. Since our system of free and competitive enterprise is on trial, the government cannot stand aloof from the private economy but must be ready to take vigorous steps to help maintain a stable prosperity." (50)

This first premise defines the role now assigned to the Federal Government in this species of warfare. That role is clearly one of big brother or champion of "our system of free and competitive enterprise," which, brought to bay admidst "violent political

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1 "Government's Role in Easing Business Fluctuations," *The Commercial and Financial Chronicle*, Thursday, Oct. 21, 1954, 1:49-50. All direct quotations from Dr. Burns' speech are taken from these pages of the *Chronicle*.

"Social Welfare Plans— Time to Take Soundings"

By LOUIS W. DAWSON*
President, The Mutual Life Insurance Company of New York
President, Life Insurance Association of America

Life insurance executive contends the growth and increasing cost of welfare plans will create serious economic problems that require careful review and analysis if we are to avoid an adverse effect on the nation's economy. He points out that: (1) Social Security, as now being operated, postpones much of the cost, thereby placing a heavy burden on future generations; (2) the plan already has liabilities of $250 billion; (3) Social Security taxes imposed on employers and employees may later rise to 11% of payroll, and (4) reserves set up for Social Security do not earn interest from productive enterprises.

One of the most valuable prerogatives of the Presidential office is that we who hold it may stand up here once during our term and say what may be uppermost in our minds. Fortunately, this is not a period of alarms and excursions, so what I say will be moderate and temperate, I hope.


Louis W. Dawson

In one thing, however, I will not be moderate; and that is my high regard for the staff of the Association with whom I have worked so closely in the past year. My association with them is nothing new, since I have had long acquaintance with them and have worked with them on many problems. But I welcome this opportunity to pay tribute to their capacity, industry and loyalty to the business, which to my mind constitute assets beyond price. We are indeed fortunate to have built such an Association, headed by men of outstanding ability and real stature.

But they cannot do the job alone. You all know of the many committee assignments made each year to officials of member companies. Speaking for the year in which I have presided, I can say that the response to those assignments has been ready and willing; and that there has been splendid cooperation all along the line. This is particularly important in the light of the nature of our legislative work — which is not that of lobbying in its popular and derogatory sense, but of skillful and thorough analysis of legislative proposals, and open presentation of our views to governmental officials and representatives. So long as we maintain the high quality of our staff, the full working cooperation of our company officials, and the integrity of our presentations, we shall conduct a successful operation of which we can all be proud.

I also want to pay tribute to our sister organization, the American Life Convention, with which we work so well in our cooperative endeavors, and to its new Executive Vice-President and General Counsel, Claris Adams. No more happy choice of a new Washington representative could have been made. Despite what many ragard as a serious need for wise integration and less duplication, our relationships with all our related organizations have been excellent.

Before leaving this subject, I would like also to speak of our very fine relations with our Canadian brothers, which are evident in their membership in this organization and in their contributions to its work, as well as in our fine cooperation with the Canadian Life Officers Association.

Our business has done remarkably well this year in all its major areas. Mortality has been good, the dollar has maintained its value, interest rates have been reasonably stable, and the public has bought our products in increasing amounts. Life insurance sales have increased 3% over 1953 and 176% in the last 10 years. Neither of these figures gives effect to the $7 billion of life insurance written by private companies on government employees in 1954.

Such growth testifies to the high regard the public has for our institution of private life insurance. With such a record, we could hardly be regarded as overly concerned with governmental competition. From the standpoint of our own self-interest, we are doing very well. But as citizens, our concerns can scarcely rest there. We must express ourselves on the larger role the government is assuming in providing security for all our citizens.

The year 1954 has been marked by the renewal of strong pressures for the expansion of social welfare plans. Individually, any of these proposals may be both desirable and feasible. But together—and when added to the plans we already have—they may be more than the country can afford, either now or in the future. I think the time has come for a careful review and analysis of our existing and proposed plans, to see where we stand now; what costs we are incurring now and in the future; whether we are unwittingly taking on commitments that a future generation may be unwilling or unable to pay; and how such plans may affect other elements in the nation's economy. If there is sufficient public discussion of these subjects and a clear public understanding of the problems, issues and costs involved, I am confident that the American people will pursue a wise future course.

The desire for security is strong, persistent and universal. No one can quarrel with such an aspiration. It springs from a deep-seated human instinct. Therefore, the individual who questions the desirability of social welfare plans is in danger of sounding churlish and antihumanitarian. But I don't think we, in the life insurance business, can fairly be accused of a lack of interest in our fellowman, because as individuals we have chosen to enter a business which helps people achieve security and financial independence for themselves and their families. We have done more than perhaps any group to make the age-old dream of true security a practical reality for millions of families.

But, by the same token, our long experience in this field makes us more aware than others may be, of the need for practical limits on such programs — whether they are personal programs, or public programs. We know that welfare plans, unless kept within practical limits, can become a Frankenstein that may destroy us. History is replete with examples of governments that have seriously retarded their economic progress, or suffered serious inflation, trying to make good on promises that were never economically justified. No crueler trick can be played on any people than to hold out false hopes of security that can never be attained.

For all these reasons, I feel that we in the life insurance business have a public duty to express our views on these questions — whatever our views may be. It seems to me that the questions involved are beyond partisan politics. They are primarily questions of economics, basic philosophy and how admittedly desirable objectives can best be obtained. The views and proposals I intend to express today are not advanced as those of this Association, or of the life insurance business as a whole. They are my own personal views, which spring from a lifetime of experience in helping to provide protection and security for American families.

In approaching the problem of welfare plans, we must put from our minds the idea that government, private business, unions or anyone else can give us security. Security is something that must be **earned** and **paid for**—whether it involves an individual or a nation. Once that principle is recognized, it then becomes evident that the benefits of any security program must bear some sensible relationship to what a country is willing to pay and can afford when the true costs mature.

The young people of the nation should be particularly concerned

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*An address by Mr. Dawson at the 48th Annual Meeting of the Life Insurance Association of America, New York City, Dec. 8, 1954.

From Washington Ahead of the News

By CARLISLE BARGERON

Mr. Eisenhower, it is disclosed, prepares to ask the next Congress for the retention of the present excise and 52% corporation taxes, liberalization of the Taft-Hartley Act, extension of the "freer" trade policy for at least 3 years, and an aid to Asia program.

Carlisle Bargeron

The first two, retention of the excise and corporation taxes at present levels, he is not likely to get, particularly the retention of the excise taxes. They both require positive, affirmative legislation, to prevent the Korean excise tax increases being wiped out as of April 1, and the corporation 52% income tax from being reduced to 47%.

The Democrats who make a great to-do about being for the workingman as against the boss might possibly go along with the proposition to extend the 52% corporation tax. They aren't likely to do so in the case of extending the excise or nuisance taxes.

The whole matter of taxes is likely to present an embarrassing political picture to Congress, Republicans and Democrats, alike, in the context of the proposition of aid to Asia. Just what this is to be remains to be seen. It is an idea of Foreign Aid Chief Stassen and Secretary of State Dulles of what should be done in behalf of that much abused term, "the Free World" in Asia. Apparently it is anathema to Secretary of the Treasury Humphrey who came into office with the avowed purpose of balancing the budget, who has had to postpone his accomplishment and who has announced that he won't achieve it in the fiscal year of 1956. Presumably Secretary of Defense Wilson is with him, though not vocally.

It was Wilson who as head of General Motors about three years ago, and at a time when he had no expectation of being in the Cabinet, made a not thoroughly-enough publicized speech in which he said that other countries had exploited the colonials to enrich themselves but we were the only country in the world ever to exploit its own nationals for the benefit of the colonials. Generally speaking he has sought to tend to his own knitting since coming to Washington but undoubtedly he is giving Humphrey some behind the scenes support.

Whether Humphrey is opposing the demise of the Korean War excise taxes and the reduction of the corporation income tax only in anticipation of aid to Asia, I do not know. The spectacle of continuing these levies on the American people in order to support this aid to Asia will be bounced around in Congress, you can rest assured, and the matter of continuing these taxes will also be bounced around, Asian aid or no, on the Treasury Secretary's ambition to balance the budget. Inasmuch as Congress has to pass affirmative legislation for the continuation, I doubt seriously that either the excise taxes or the 52% corporation taxes will be renewed, certainly not the former.

The Democrats used to make the cautious Andrew Mellon reduce taxes more than he wanted to, or seemingly wanted to, and in every instance it resulted in a spur to business. The repeal of the excess profits tax at the hands of the last Congress has done that.

It is significant in the matter of aid to Asia that the President has called back Banker Dodge to coordinate and head up the manifold foreign aid activities on the part of this government. He is to be over Foreign Aid director Stassen, who is the prime mover in the aid for Asia program. Dodge is not a spendthrift. It could be that the President has called him back to squelch or greatly reduce the program which Stassen has in mind.

Now, on the President's ambition to extend the "freer" trade program to three years—it was extended in the last Congress for one year—he may get that. He will have stubborn opposition from members of his own party but he will get a heavy support from the Democrats. However, the situation hasn't materially changed from the last session when he had to accept a one-year extension.

On his ambition to liberalize the Taft-Hartley Act I think he has less chance than he had at the last session when he got nowhere.

Recent developments have made me seriously doubtful as to whether Adlai Stevenson has the Democratic Presidential nomination in 1956 so clinched as he is supposed to have. Several weeks ago a commentator friendly to him, described him as the "Liberace of American politics." The famous Gridiron Club over the last week-end caricatured him in that light and some 400 of the country's leading industrialists and business men who saw the skit came away with the impression that it made Adlai look ridiculous and that the caricature of him was so fitting, that it will grow like wild-fire between now and '56, just as Alice Longworth's crack about Tom Dewey in '44, that he looked like the man on the wedding cake, effectively ridiculed him at that time.

Points in Planning 1955 Investment Program

By EDWIN J. SCHLESINGER

Investment Counsel, New York City

The following points are submitted in connection with planning the 1955 investment program:

Edwin J. Schlesinger

(1) The course of the country's economy is affected by the policies emanating from Washington.

(2) Artificial price supports can prove to be a wolf in sheep's clothing.

(3) The economy is never really sound unless accompanied by a balanced budget and a gradual reduction of the national debt.

(4) Inflation is still a big factor in the over-all picture.

(5) The country's business should increase over the years without the need for endless "shots in the arm" form Washington.

(6) As backward parts of the world become developed, American business will be greatly benefited.

(7) Low interest rates and easy credit can lay the foundation for a reactionary trend.

(8) The growth of the population serves as a balance wheel for the country's economy.

(9) The St. Lawrence Seaway should favorably affect the growth of the nation's business.

(10) Unit volume in 1955 is likely to be greater than during 1954.

(11) Dividends in 1955 should be only slightly less than in 1954.

(12) Important to continuously search for stocks of companies with real growth possibilities but their purchase can involve some definite risks.

(13) The policy of selling a stock as soon as it shows a loss can undermine an entire portfolio.

(14) Taking profits is frequently undesirable as it can result in losing a good position.

(15) There are fashions in stocks, and fashions have a way of going out of style with resultant loss to the purchaser.

(16) Seasoned investors like the British, Dutch, and Swiss, buy stocks of sound companies when prices are down.

(17) Spacing purchases with the heaviest buying during poor markets is a sound investment policy.

(18) A forward-looking investment policy calls for taking some calculated risks and the exercise of patience.

(19) The proper proportion of cash, bonds, preferred and common stocks changes constantly.

(20) Municipal bonds, even though tax exempt, are not suitable for all investors.

(21) Investors' emotions have a decided influence on the price trend of stocks. The very stocks that are shunned when they are low are often eagerly bought when they are high.

(22) Imagination and resourcefulness are required to keep a portfolio healthy and growing. The past action of stocks is important, but eyes should be directed on the road ahead.

(23) The long-term future of the United States appears brighter than ever.

In Praise of a Flexible Monetary Policy

By FRAZAR B. WILDE*

President, Connecticut General Life Insurance Co.
Chairman, Research and Policy Committee,
Commttee for Economic Development

Insurance executive lists reasons for the unpopularity of a central bank which recognizes its responsibility to contribute to economic stability and growth by following a flexible monetary policy. Cites unpopularity of credit restraint in years 1950-1951, and lists as reasons for maintaining a flexible monetary policy: (1) it can have proper timing; (2) it is more general and impersonal than direct controls, and (3) recent experience has shown its benefits. Says first six months of 1953 provide a spectacular illustration of combining techniques of debt management with the operations of our central banking system.

A central bank which recognizes its responsibility to contribute to economic stability and growth, and carries out its duty by following a flexible monetary policy, is bound to be unpopular. Many of the reasons for this are unrelated to the merits of a flexible policy as such. This is the climate in which any inquiry into central banking operations is inevitably conducted. If any useful results are to come out of such an inquiry, we must at the outset take this climate into consideration.

Frazar B. Wilde

The principal reasons for this unpopularity are obvious, and yet are constantly forgotten by the critics. The most important of these arise out of the occasional need for restraining action on the part of a central bank.

Even those who accept a flexible monetary policy in principle frequently object in practice, when restraint is the order of the day. Since people do not like to be restrained, and since they seldom agree on the correct timing and on the extent of credit restriction, even though they accept the idea in theory, we find our monetary authorities generally in hot water. The sound direction of a flexible monetary policy is always handicapped and troubled by basic human emotional characteristics.

The second reason arising out of the occasional need for restraint is that some do not believe in the use of a restraining monetary policy at any time. They question the effectiveness and the appropriateness of combatting inflationary pressures by the use of general monetary and credit restraints and prefer other instruments. They feel that relatively low interest rates are appropriate under all conditions.

A third reason for the underlying unpopularity of a central bank is that a large part of the public finds monetary matters difficult to understand and is either indifferent to or confused about them. At any rate, it is easily swayed by the propagandist, whether he is the businessman or the politician.

A fourth reason is an historical tendency on the part of many groups in this country to distrust and to criticize banks and banking. By tradition, bankers are a convenient scapegoat.

For all of these reasons it is difficult to make a rational evaluation of central banking operations. We should remember too that it is even more difficult, in such an atmosphere, for a central bank to carry out successfully a flexible monetary policy. Unfair and excessive criticism is never conducive to good administration.

As a result, the central bank's imposition of restraint is in practice almost universally criticized and its expansion of the money supply, while more generally accepted, is often condemned as too little and too late. The unfortunate thing is that a good deal of such criticism comes from persons who believe implicitly in the theoretical virtues of a flexible monetary policy. Too often the practical result of these conflicts is an excessive reliance on easy money.

I

The Unpopularity of Restraint: 1950-1951

A striking illustration of this principle—in terms of debt management as well as of central banking practices — appeared in the fall of 1950 and the early spring of 1951. By that time there was increasing criticism of the Treasury and Federal Reserve, who were collaborating at the insistence of the Administration in maintaining pegged prices for government bonds. While there was good reason to believe that the Federal Reserve, recognizing inflationary dangers, had wished to discontinue the practice at an earlier date, no important action had been taken up to the end of 1950. The majority of those who understood the crippling effect upon the Federal Reserve of maintaining a pegged government securities market were in agreement that this practice should be discontinued. The Federal Reserve has a major role in contributing to the maintenance of a sound and growing economy, and fixed prices for government bonds, which might have been justified during war time, were wholly unwarranted five years after the war.

Those who believed that fixed prices should be maintained included several groups. There were those partisans who felt that to change this policy was a direct criticism of the Administration. There were others who felt that low interest rates per se were desirable regardless of the actual and potential danger of inflation they created. Few, if any, who understood the true function of central banking and the need for freedom in operations, and certainly none who had respect for sound money, wanted the support program continued.

At long last, in March of 1951, an accord was reached permitting flexibility in government bond prices. This involves some retreat in prices. Immediately there was a hue and cry, and it didn't all come from politicians.

The purchaser of a marketable bond, whether an individual or an institution, must be willing to accept the fact that in a free, capitalistic economy security prices are certain to fluctuate. When there has been a heavy demand for investment funds or bank loans relative to supply, interest

*A statement by Mr. Wilde submitted to the Subcommittee on Economic Stabilization, Joint Congressional Committee on the Economic Report, Washington, D. C., Dec. 6, 1945.

rates are bound to increase and bond prices must reflect this situation, other things being equal, by going lower.

Many buyers of government securities had forgotten that this fluctuation is normal. They had been spoiled by the abnormal wartime condition of pegged prices which had existed for a long time. They grew to think that par and, in many cases, a premium over par was the natural price for their securities. This attitude is difficult to understand—in fact, quite incomprehensible — as to institutions whose buyers certainly know, or should know, the history of the market place. It is easier to understand in the case of individuals with little experience in bond buying; but these, for the most part, were not the persons involved. The unsophisticated investor usually held E-bonds or some other non-marketable security which did not fluctuate in price.

Many seasoned investors were most vociferous, particularly after the end of the war, in contending that in a free economy fixed prices and price supports should be abandoned everywhere. Then when the fixed price for bonds was withdrawn, some of these same people expressed dismay and unhappiness that it should happen to them and their institutions.

The fact is that many people who should have supported a flexible monetary policy, even if it affected their own institutions, failed to do so. This episode is an excellent example of the way in which hmuan nature tends to resist, even against the arguments of reason, any restraining pressure on the economy.

II
The Case for a Flexible Monetary Policy

In my opinion the nation should view a flexible monetary policy as a principal instrument for contributing to our objectives of economic growth and high levels of employment without inflation.

This does not mean that we should place sole reliance upon monetary policy. Any given situation will require a complex of measures. But a flexible monetary policy is an important and especially valuable instrument in our kit of tools for at least three reasons.

First, its timing is more flexible. This is especially true as compared with budget policy. I would certainly agree that budget policy should be an important part of any program for the prevention of inflation. But there are political and economic obstacles to excessive reliance upon budget surpluses as a means of restraining inflation. Monetary policy is the most sensitive and flexible instrument and I do not believe that an adequate anti-inflation program is possible without it.

Second, as compared with direct controls, or with selective measures, monetary policy has the merit of being a general, over-all, impersonal instrument. As a matter of fact, direct controls are not likely to be available except in war time, and would be an inferior instrument even if available.

Third, I believe that our recent experience with a flexible, two-sided monetary policy has been promising and warrants continuation.

In my opinion the most important consequences of a flexible monetary policy are its effects upon the stability and growth of the economy. Monetary policy should not only attempt to counter the short-term inflationary and deflationary movements, but should gear the money supply to our long-run growth potential. I believe, therefore, that the policy should be judged in terms of these important effects and not in terms of who gets or who pays higher or lower interest rates. As a matter of fact, it is exceedingly hard to trace the income distribution effects of a rise of interest rates and to make any judgment as to the desirability of the effects. There are several reasons for this.

First, the initial payers or receivers of interest are for the most part not the ultimate payers or receivers. The large financial institutions which receive interest represent millions of depositors and policyholders. On the other hand, the corporations and governments which pay interest represent millions of customers and tax payers. We do not know who ultimately receives or who pays.

Second, the alternative to higher interest rates is not simply lower interest rates, but lower interest rates on a larger volume of credit. Interest rates are kept from rising when demand is active by an expansion of the volume of credit. It is not clear that financial institutions would earn more from higher rates than from lower rates on a larger volume.

Third, along with higher interest rates usually go losses on capital accounts, that is, the market prices of investments decline. The net effect of this would vary for different investors.

In general, the net distributional effects of higher or lower interest rates are so diffuse and uncertain that they could not be a major factor in deciding upon monetary policy.

III
A Flexible Monetary Policy in Practice

How has a flexible monetarry policy worked? The first six months of 1953 provide a spectacular illustraion combining both the techniques of debt management and the operations of our central banking system.

As many read the signs, the economy was giving definite evidence of boom in the closing months of 1952 and early spring of 1953. The demand for funds for permanent capital and for inventory accumulation was sharply accelerated. Demand for residential and commercial mortgage funds, for municipal funds, and for consumer credit was pyramiding. The situation required the central banking authorities to refrain from adding to the credit supply. Their duty was clear. If boom and bust was to be avoided or mitigated through banking procedures, this was a time to let the borrowers compete for whatever credit was in existence, rather than to expand credit, no matter how vociferous the demand. Some would have said that sharp restrictions of credit were in order. The authorities lived up to their responsibilities. They restrained expansion of the credit base and, because the demand was far greater than current resources, money and credit became scarce, and interest rates increased as a matter of course.

During this period, in furtherance of sound debt management policy—namely to lengthen the debt — the Treasury offered a long-term obligation. In order to assure the success of this issue, it was necessary because of market conditions to place a 3¼% coupon on the bond.

In April and May, and running into June, the demands for capital and credit increased. Potential borrowers tended to stampede the capital market and interest rates increased sharply. Many borrowers who really didn't need funds at the moment sought money or credit lines immediately, probably in expectation of high interest rates to come. A psychological situation developed which was perhaps the more acute because the issue of a long-term bond coupled with a restraining monetary policy had not been encountered in the market place for many years. The Federal Reserve quietly made bank reserves more readily available in May, and the clear-cut realization by the market in June that monetary policy was not a one-way street—that it indeed was flexible—brought the stampede to a halt.

The impact of this episode on production, trade and commerce was slight. There was enough money available for current use in trade and commerce and for the payment of construction bills. Some demands for future funds, it is true, were not met at the time. It was not imperative that they should be, and no serious damage resulted to the country as a whole. The postponement of new building because a commitment could not be obtained was not serious. A new housing development or a new factory was merely postponed. This was entirely proper in view of the high rate of building and the full utilization of men and materials at the time, and probably contributed to the mildness of the subsequent recession.

The same observation could be made in respect to other sectors. Further inventory accumulation would have been detrimental to the economy and would only have aggravated the later decline.

Some strain developed in the mortgage market in the spring of 1953. The situation was a complicated one. When over-all credit is restricted and money becomes scarce, those sectors of the investment area which are weakest will register the greatest difficulty. The mortgage area was weak for several reasons. A large volume of mortgages had been issued for several years. Institutions tend to operate portfolios under the theory of diversification. Many banks and insurance companies had as many mortgages in their portfolios as they wanted. They were anxious to balance by buying more securities. The mortgages in many cases, because of small size and scattered locations with apparent greater credit risk and handling expense, were relatively unattractive as compared to bonds. The result was a shrinkage of prices for mortgages offered for sale and a reduction in the commitments made for new mortgages.

No great harm if any, resulted to the economy from deferring commitments. Any sound project, whether it was a new housing development or a new commercial enterprise, was simply deferred and this was highly desirable in view of the full employment conditions in the building trade. In the case of housing already constructed, where the builder wished to sell and found it difficult to arrange mortgage financing, there was a possible loss. Either he didn't make the sale immediately or he accepted a lower price. This was not as serious a situation as it sounds. It did not in most cases mean an actual loss, but merely a reduction in profit. So we're back again to a basic situation; namely, that in a profit and loss economy there will be times of loss or reduced profits which we must accept if they are a result of a sound over-all national policy, namely, credit restriction to prevent an unhealthy boom.

Viewed broadly, the operation of banking restraint in the early spring of 1953 is a good illustration of sound policy in the money and credit field and not, as the critics claim, a misuse of it.

During such a period, when restraint had to be and was exercised, it is to be expected that some administrative mistakes would be made. With the benefit of hindsight some things would be done differently. Certain isolated instances might be discovered where there was actual economic damage, but the total of these individual cases of damage would bulk very small in the whole economy. Even over-all, non-selective restraints are not perfectly uniform in their impact; it cannot be otherwise. But, over-all restraints are much better than any attempt to use selective credit restrictions in time of peace. Under the latter practice very great mistakes are almost inevitable and large elements of inequity develop.

This experience teaches something which has been known for some time, namely, the need of constant efforts to improve the market for government bonds. The government debt is very large and will continue to be of great magnitude. The capacity of the market mechanism to handle a large volume of longer term issues needs improvement so that more orderly markets may prevail in periods of strain. But this must not be done at the expense of eliminating price fluctuations which are vital to the success of any flexible monetary policy.

People have said that the Federal Reserve should have publicized its intention to reverse a tight money policy if conditions indicated the wisdom of reversal. It is a fact that in May and June such a reversal was under way, but no categorical public statement to this effect was made. I think it is important that the basic objectives and instruments of Federal Reserve policy be generally understood. But, publicity for day-to-day changes of direction seems to me a rather debatable proposition. At any given time actions speak louder than words. For the Federal Reserve to discuss fully its actions and the reasons for them at the time they are taking place is certainly debatable, and it may be undesirable.

This much is certain—the Federal Reserve is entitled to great commendation for what it did. It identified changes in the situation in May and had the moral courage to act in accordance with the changed evidence.

IV
Inflation and Flexible Monetary Policy

Belief in the desirability of a flexible monetary policy is, to my mind, necessarily allied to the belief that inflation is one of the great menaces to any modern society. The wickedness of inflation is in its gross inequity. The great majority of people, and those least able to protect themselves, are the great sufferers in periods of inflation — people who have saved, people on salaries, working people in the majority of instances —despite the fact that certain

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Memo to Every Forward Looking Investment Dealer in the United States

A booklet entitled "Aids in . . . the Financing of Stock Issues With Pre-Emptive Rights" was mailed to dealer-brokers on Nov. 22. The Board of Governors of the National Association of Securities Dealers approved this booklet at their meeting last fall and authorized its publication and distribution to each member firm. It is a complete detailed study and represents a great many hours of intensive research and tireless effort on the part of many organizations, i.e.: The Investment Bankers Association of America; The National Association of Securities Dealers, Inc.; The Association of Stock Exchange Firms; The National Security Traders Association; The New York Stock Exchange and The American Stock Exchange.

A joint industry committee comprising a group of the most capable individuals in the investment banking and brokerage profession have given many years of consideration to an improved method of common stock financing through pre-emptive rights and the possibility of compensation for the security dealers who handle the conversion of these rights. The joint committee believes that, in this report, they have outlined the means to accomplish this end and it is now the responsibility of the individual dealers throughout the nation to assume their just share of this program and bring this study to the attention of corporations who have used, or are contemplating using, rights in future common stock financing.

If these booklets are allowed to remain on dealer-brokers desks for a short time and then find their way into a waste basket, you are doing your fellow dealers a disservice and you are not carrying your full share of the load. In order to accomplish its purpose, these studies must be placed in the hands of an officer or director of a rights-issuing corporation.

In almost every large community in the United States, one individual dealer or a group of dealers, have a close association or connection with a potential issuer corporation, and, in the event that you have this connection, won't you do something constructive for yourself and the industry from which you derive your living. One hour spent NOW—making a personal call (not a telephone call) on an executive of a corporation could easily result in an additional source of income for many years to come.

Let's all do our fair share in bringing this program to a successful conclusion.

EARL M. SCANLAN,
Earl M. Scanlan & Co.,
Denver 2, Colo.

Tightening Margin Requirements Would Exert Bullish Market Influence: Janeway

Eliot Janeway, economist and publisher of Janeway's Memo Service, on Dec. 13 predicted that any tightening of margin requirements paradoxically, would help the Stock Market rather than hurt. In a special analysis, Janeway, author of "Struggle for Survival," the History of Economic Mobilization of War II; Yale's Chronicles of America series, and economic consultant for various industries, offered three reasons for his thesis:

Eliot Janeway

(1) The psychological repercussion of the government's official admission "that reality has at last turned the Council of Economic Advisers around, forcing them to consider holding the line against real up-pressures and to forget their nightmares about fancied down-pressures."

(2) "Tighter margin restrictions can't interfere with institutional buying but, on the contrary, will dramatize the institutional and investment character of this market."

(3) The market's short interest, "stubbornly and conspicuously large," is financed on margin at brokers. Tightening of margin restrictions would "likely have an effect exactly opposite from that planned: it will gradually drive margined shorts to cover and force their favorite targets steadily upward."

Janeway also predicted a seller's market in labor "which is here to stay and which, because it arises from a long run cumulating manpower shortage, is bound to strengthen labor's control of its sellers' market as far as we can see into the future."

"The connection between the sellers' labor market," said Janeway, "and the investors' stock market is direct. The link between the two is provided by the easy money boom, residential building, autos and appliances, which is now being stimulated even further by the wave of borrowing for local government public services. Throughout this easy money boom, the bears have been wistfully waiting for the 'public's pyramid of debt' to collapse. The catch is that it won't and can't, because fear of mass unemployment is a false alarm. Certainly, if the institutions came through 1954's readjustment with a default record of statistical zero against the 'public pyramid of debt,' there should be no defaults whatever in 1955 and the better years which are already guaranteed (by population growth plus world politics) to follow. Given continuity of payrolls, which means an institutional default experience of statistical zero, the so-called 'unsoundness' of the easy-money debt pyramid actually sets in motion the pressures squeezing the shorts and revealing the self-styled conservatives as speculators. That is: the 'unsounder' the public debt pyramid as to down payments, the 'sounder' it becomes every month as pay-backs flood the lending institutions with cash."

"The way it works is built into the structure of the debt pyramid: the nominal down payment and the big debt are supported by the steady flow of income available for pay-back. Add to this the much publicized fear of depression in 1954. Depression fears have kept the mass buyer afraid of the debt he owes. Result: a psychological pressure to pump pay-outs back into the institutions with embarrassing acceleration. (This acceleration, incidentally, understates how much higher the debt pyramid will grow when the public discovers how good business is going to be—the more the public borrows, the more cash its pay-backs shower on the institutions.) Thus, the easy-money boom gambled not on nominal down-payments but on payroll continuity: now that the bet has been won, the institutions are being flooded by cash flow pressing for reinvestment. Hence, the strong institutional character of today's market."

J. P. Morgan & Co. Official Changes

Henry C. Alexander, President of J. P. Moragn & Co. Incorporated, announced today that the Board of Directors had elected Clifford F. Scherer to be a Vice-President. Mr. Alexander also announced that Harrison V. Smith and Peter H. Vermilye, have been promoted from Investment Officers to Assistant Vice-Presidents; that Edward L. Warren, Charles M. Eckert, Martin T. Griffin, and Robert V. Lindsay have been appointed Assistant Treasurers; and that Richard W. Meyer and Walter B. Terry have been appointed Investment Officers.

Mr. Scherer joined the staff of J. P. Morgan & Co. on April 1, 1929, as a page boy. On Dec. 19, 1945, he was made an Assistant Treasurer in the Securities Department, and on Aug. 2, 1948, he was made an Assistant Vice-President in charge of the Fiscal Agency activities.

Connecticut Brevities

Niles - Bement - Pond Company has acquired the United States Manufacturing and selling rights of the Sigma Instrument Company, Ltd. of Great Britain. The English concern produces Multi-Dimension Inspection machines for simultaneous automatic or manual checking a large number of physical dimensions, counting the number of parts inspected and accepted and for sorting parts for selective assembly. Engineering, tooling and manufacturing to meet product requirements will begin immediately at the West Hartford plant of Niles. Sales will be made directly to customers through branch offices of the Pratt & Whitney Division of Niles.

* * *

Safety Car Heating & Lighting Company has purchased a plant in Milford which was formerly owned by **Holst, Inc.** The new facilities, located on the main line of the New Haven Railroad, will be used by the company's lighting division which designs and manufactures light ng fixtures for the transportation industry and for special commercial applications. The Connecticut Development Commission was instrumental in finding the space for Safety Car.

* * *

Stanley Works has sold its cold mill facilities in Bridgeport to Mailman Brothers, New York City, who operate plants in Bethlehem, Pa., and Toronto and Montreal, Can. Stanley indicated that its future cold mill operations will be carried on in New Britain. The company continues to operate an open hearth and hot mill facilities in Bridgeport.

* * *

In accordance with its announced intention of building a new one-story plant adaptable to modern assembly-line production, **Colt's Manufacturing Company** has purchased a tract of more than 100 acres in Windsor Locks, adjacent to Bradley Field. Colt's is presently producing firearms, moulded plastics, commercial dishwashers and packaging machinery in a multi-story building in Hartford. No announcement has been made as to plans for building a new plant.

* * *

The Danbury Rubber Company, which produces rubber and plastic floor covering and rubber shoe soling, has recently commenced production of floor tile. The company employs about 120 in a 60,000 square foot plant leased from **Danbury Industrial Corporation.**

* * *

Another Danbury firm, **The New England Shirt Company,** has recently purchased a plant in Bridgeport which was formerly operated by Appleby Manufacturing Company. New England Shirt will use the Bridgeport plant for production of sport and dress shirts and will employ approximately 200 persons.

* * *

The new one-story plant of **Eastern Industries, Inc.,** located in Hamden adjacent to the Merritt Parkway, has recently been opened. This 28,000 square foot plant will be used for production of special aircraft components such as cooling units for electronic tubes, pressurization units and hydraulic equipment. Eastern also has a plant in Norwalk producing industrial mixers and traffic controls.

* * *

In addition to a number of large aircraft contracts received by various divisions of **United Aircraft Corporation,** recent ordnance and defense contracts placed with Connecticut firms include: $5,338,980 to **Remington Arms Company, Inc.** for cartridges; $1,349,000 to **New Britain Machine Company** by the Navy for fuses ammunition and parts; $284,863 to **Flexible Tubing Corporation,** Guilford, for air hose; and $159,413 to **Bristol Machine Tool Company,** Forestville, for design, development and fabrication of mortar fuses.

COMING EVENTS

In Investment Field

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.

Jan. 14, 1955 (Philadelphia, Pa.)
Philadelphia Securities Association annual meeting and election of officers.

Jan. 28, 1955 (Baltimore, Md.)
Baltimore Security Traders Association annual Mid-Winter Dinner at the Lord Baltimore Hotel.

Mar. 11, 1955 (New York, N. Y.)
New York Security Dealers Association 29th Annual Dinner at the Biltmore Hotel.

April 24-27, 1955 (Houston, Tex.)
Texas Group Investment Bankers Association spring meeting at the Shamrock Hotel.

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

May 18-21, 1955 (White Sulphur Springs)
Investment Bankers Association Spring meeting of Board of Governors.

Sept. 11-14, 1955 (Mackinac Island, Mich.)
National Security Traders Association annual convention.

Sept. 16-17 (Chicago, Ill.)
Investment Bankers Association Fall meeting of Board of Governors.

Nov. 27-Dec. 2, 1955 (Hollywood, Florida)
Investment Bankers Association annual Convention at Hollywood Beach Hotel.

The SEC, the Congress and The Securities Industry

By J. SINCLAIR ARMSTRONG*

Commissioner, Securities and Exchange Commission

Mr. Sinclair contends that under the statutes enacted, and the amendments thereto, the work of the SEC over the past 20 years has tremendously improved and has been an enormous influence in restoring investor confidence in free enterprise. Stresses importance of maintaining securities markets, and points to vast issues of new securities since the establishment of the Securities and Exchange Commission. Lauds cooperation of Congress with the Commission.

If the impact of Federal regulation of the securities markets were destructive, punitive, bureaucratic, or even slow, the sensitive mechanism of capital formation and investment could be thrown off balance. Our whole economy could be injured in the process. Investors, consumers and workers alike would be injured. It is in this context of the enormous importance to the people of America of the unimpeded flow of investment capital into industry that we who are responsible under the present national Administration for administering the Federal securities laws are working. We are aware that in great measure the success of our economic and free political system in America depends upon the successful formation of aggregate capital and their investment in productive enterprise. The securities markets provide the medium for this formation and investment of capital by the people.

J. Sinclair Armstrong

Recognizing the importance of the capital formation process and of the maintenance of free, open and honest securities markets does not mean that the viewpoint of the Commission today is any less in harmony with the spirit of the Federal securities laws than were the Congresses which enacted them in the early thirties. We believe that the restoration of investor confidence during intervening years has been in no small measure due to the work of the Securities and Exchange Commission under these Federal laws enacted by the Congress "in the public interest and for the protection of the investor."

Congress and the SEC

This leads me right into the first main part of my topic—the relationship between the Congress and the Commission. The most natural place for the Congress and the Commission to meet is in the field of legislation, and this we did during the 2nd Session of the 83rd Congress.

For many years, dating back as far as 1940, there had been conferences, of which the Congressional Committees had been kept informed, between the Commission and representatives of the securities industry in regard to proposed legislation to amend and revise the basic securities acts. All of these efforts had failed of fruition. Without going too deeply into the background of these earlier negotiations for legislation between the Commission and the industry, we felt that it was appropriate for the Congress to work out legislative amendments.

When President Eisenhower addressed the Convention of the Young Republican National Federation at Mount Rushmore, South Dakota, on June 11, 1953, he spoke of the policy of cooperation between the branches of government in these terms:

"In . . . [a] spirit of constructive purpose have been shaped the relations between the Executive and Legislative Branches of the Government. I have had the pleasure of meeting at the White House with every Senator and almost every Congressman of both parties—a number of whom, though veterans in Government, had never before entered the President's house.

"These meetings have reflected a major purpose of this Administration. It is this: To do all that it reasonably can do to encourage cooperation and harmony between the Legislative and Executive Branches. For only such harmony can advance coherent, consistent policies at a time when all the world must be made aware of America's steady direction and aims. This effort has been shared by our party's legislative leaders." . . .

"There is no compromise in principle involved in seeking to adhere to effective—and let me say constitutional — methods in government."[1]

In the summer of 1953, three vacancies on the Commission were filled. At about that time, we advised the respective Chairmen of the Banking and Currency Committee of the Senate and the Interstate and Foreign Commerce Committee of the House that various groups wished to submit proposals for amendment of the statutes administered by the Commission. We suggested "that the Commission's responsibility is to administer the law, not to write it, but that the Commission could fulfill a valuable function by cooperating with Committees of the Congress and in studying legislation proposed by organizations or groups of citizens." Senator Capehart, Chairman of the Banking Committee, referred to the continuing responsibilities of the Committees of the Congress under Section 136 of the Legislative Reorganization Act of 1946 for appraisal of the Commission's administration of the laws subject to its jurisdiction and in the development of amendments or related legislation. He suggested that a program be worked out under the guidance of Senator Bush, Chairman of the Subcommittee on Securities, Insurance and Banking.[2] Representative Charles A. Wolverton was Chairman of the House Committee, a man of great distinction in the Congress. He was a member of the Commerce Committee when the Securities Act was passed in 1933. He wrote us in August 1953, commenting on our consideration of an amendment program with stock exchanges and others who might be interested, as follows:

"It seems to me that no harm, and, indeed, much good might arise from a continuation of the discussions which you have had with industry and affected persons over the years in the development of technical changes which might be made to the acts and which you would propose to bring to our attention for consideration.

"On the other hand, you will appreciate, I am sure, that I am most zealous in preserving for the investing public the protection which was envisaged in the statutes when they were passed, both as they apply to investors in new securities and as they apply to purchasers on the exchanges and over-the-counter markets. I certainly would feel that it was unincumbent upon any agency charged with administering these acts on behalf of the Congress for the protection of the general public, to initiate or sponsor any program which would weaken such protection, though conversely, it might well give thought to areas in which it could be strengthened."[3]

After this the Senate Subcommittee, led by Senator Bush, met with the Commission on several occasions and also held meetings with industry representatives who had proposed amendments.[4] At these meetings, the broad outlines of a bill which was believed would be acceptable to the Congress was indicated. It is a real tribute to the legislative skill of Senator Bush that all but one of the amendments that emerged from these meetings of his Subcommittee passed the Congress without a dissenting vote. The one amendment which failed, a proposal to increase the amount under which the Commission may exempt new issues of securities from the registration provisions of the Securities Act from $300,000 to $500,000, passed the Senate but failed in the House. The American public owes a real debt to Senator Bush for his hard work and fine leadership in developing and seeing through to a successful conclusion these amendments of the securities laws, the first in many years.

I also want to mention one of the staff members of the Senate Committee, Joseph P. McMurray, who participated in preparing the legislation and guiding it in the Senate. I mention him particularly because he played a valuable part in maintaining the fine relationship between the Commission and the Congress in the past session. In July of this year, Mr. McMurray assumed the office of Executive Director of the New York City Housing Authority, by appointment of Mayor Wagner. When he left Washington he received tributes on the Senate Floor from 16 Senators of both parties, praising his fine work there, both as an aide to the late Senator Wagner and then as a member of the staff of the Banking Committee.[5] We at the Commission are very much indebted to Mr. McMurray for his guidance to us during this past Congressional session.

I also want to mention one of the staff members of the House Committee, Dr. Andrew Stevenson, who advised Representative Wolverton, the Chairman, and the Committee, and whose guidance to the Commission in regard to the legislation and its course in the House was of immense importance.

It was not the purpose of the 1954 amendments of the securities laws[6] to change or vary their basic scope.

The legislation which was formulated, we believe, represents a great step forward in furtherance of the original Congressional purpose expressed in

Continued on page 112

*From an address by Commissioner Armstrong before the Association of the Bar of the City of New York, New York City, Dec. 6, 1954.

1 New York "Times," June 12, 1953, p. 12.

2 Hearings before a Subcommittee of the Committee on Banking and Currency, U. S. Senate, 83d Cong., 2 sess., Feb. 3 and 4, 1954, p. 3.

3 Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives, 83d Cong., 2d Sess., March 19, 1954, p. 13.

4 Senate Hearings, p. 3.

5 100 Congressional Record, 83d Cong., 2 Sess., July 28, 1954, p. 11870.

6 P. L. 577, 83d Cong., 2 Sess., approved Aug. 10, 1954, effective Oct. 10, 1954.

LETTER TO THE EDITOR:

Sees No Antagonism Between Mutual Funds and Life Insurance

Norman F. Dacey discusses some views expressed by Robert A. Rennie and Claude L. Benner in Dec. 2 issue of the "Chronicle"

Editor, Commercial and Financial Chronicle:

With the publication in the "Chronicle" of Dec. 2 of an article by Robert A. Rennie, explaining why the Farm Bureau insurance companies are entering the mutual fund field, and an adjoining article by President Claude L. Benner of the Continental American Life Insurance Company, deploring the current trend toward "package" selling of life insurance and mutual funds, the battle lines of these opposing schools of thought appear to be drawn.

Norman F. Dacey

But—must there be a battle?

Nearly everyone associated with the growing young giant which is the mutual fund industry is a staunch believer in the institution of life insurance. There is no substitute for the protection provided by life insurance. There is a feeling in some quarters, however, that certain policy forms which are offered today were developed by the sales department and not by the actuarial department. The readiness with which such policies lent themselves to sales promotion may have been more important than the question of whether or not the policy rendered a genuine service to the policyholder.

We all plan to build an estate. Insurance is intended to protect us against dying too soon and thus losing the time in which to build that estate. When we insure ourselves against the loss of our home or our automobile, we don't give the company something extra to hold for us in a savings account. We pay just the premium for the protection. Assuming that casualty insurance companies have good investment departments supervised by experts, why do they not add, say, 25% extra to our premiums which they will hold for us as a "cash value"? This is exactly what the life companies do. This, despite the fact that life insurance was created solely to provide protection and was never intended as an instrument for the building of a living estate. It is only sales promotion which has extended its use to that purpose.

Mr. Benner states his belief that the growing practice of packaging mutual fund shares with life insurance is a "fad" which will pass. I believe that the concept of life insurance as an investment was a fad born in the depths of the depression and nurtured at the bosoms of disillusioned speculators. That fad now is passing but there are still those in the insurance industry who stubbornly refuse to admit the fact. Instead, men like Mr. Benner and M. Albert Linton and others publish articles proving conclusively that a 20-year endowment is a better investment than shares of General Electric or Wellington Fund. This is not unusual — 100 years after man had circumnavigated the globe, treatises proving that the world was flat were still being published by those who wanted to believe that it was so.

I'd like to ask Mr. Benner some questions:

(1) Figures have been published showing that more than 95% of all life insurance company executives own either term or straight life insurance. If insurance is such a wonderful way of building an estate, why don't *they* do it that way, instead of buying the cheapest insurance they can get?

(2) Mr. Benner's company sells 20-year endowments and annuities. Will he accept my wager of $100 that he doesn't own either of them and that he, too, has bought life insurance for protection?

(3) Mr. Benner states that the packaging of mutual funds and life insurance will seriously affect the welfare of insurance agents and will be a blow to the "prosperity of the industry," and will "undermine the agency system." Would he have us believe that when it comes to building lasting security for millions of Americans, these are most important considerations?

(4) For years, life insurance companies have been trending toward common stock investments. The five New York "giants" waged a successful fight in the Legislature for permission to invest $1,100,000,000 in common stocks. American life insurance companies own a huge amount of such stocks now and are buying more every day — in the first nine months of 1954, they bought twice as many common stocks as they had bought in the same period last year. What makes General Electric a safe investment for an insurance company and a speculation when it's owned by a mutual fund?

(5) Mr. Benner avers that the public's growing consciousness of inflation has been "conducive to the sale of speculative securities. . . . The recent growth of mutual fund investment companies indicates this." The New York "Times" recently articled the fact that the investment policies of the insurance companies closely paralleled those of the mutual funds. Showing the favorite 50 stocks of each, they indicated that they were substantially the same. Why, under these circumstances, do Mr. Benner and his bitter-enders attempt with this innuendo to paint mutual funds as rank speculations?

When it comes to speculation, it wasn't the "speculative" mutual funds who loaned $42,000,000 of their customers' money to that Texas wild-cat oil promoter who defaulted on both principal and interest. Doesn't Mr. Benner know that it was two of America's largest insurance companies—and it was the policy-holders' money! In the light of recent financial incidents of this kind, is it not a questionable practice for insurance people to smear mutual funds with the appellation of "speculative"? Would not these people count it a low blow if investment men reminded their customers of the abuses in the insurance industry before the Hughes investigation in the same way that insurance men today constantly harken back to the unregulated '20s.

(6) I have before me the official 1954 "List of Securities Owned by Insurance Companies" issued by the National Association of Insurance Commissioners. Most of the mutual funds are on the list. Why is a mutual fund a speculation when John Policyholder buys it and a safe investment when Mr. Benner's company buys it?

(7) Mr. Benner questions the worth of a mutual fund/life insurance package at the end of ten years, pointing out that it lacks the fixed-dollar guarantee of the endowment policy. He points to the likelihood of fluctuation in one case versus a guaranteed number of dollars in the other. But when I get those endowment dollars, I can't eat them. I have to exchange them for goods or services—and the amount of goods and services they buy me will fluctuate from day to day. The fluctuation will be measured in terms of purchasing power (which it vital to me) rather than in dollars (which I can't eat). He admits frankly that if there is a boom, the mutual fund will pay off. If there's a bust, I'll be better off with the maturing endowment policy. As an American and as the executive head of a great, growing company, which does Mr. Benner want to bet on for America—boom or bust?

(8) Next he claims that the "package" plan denies an investor such advantages as waiver of premium for disability and the convenience of cash and loan values. I call his attention to the fact that this package idea is developing rapidly and that it now offers *greater* benefits in these fields than do Mr. Benner's insurance policies alone. If Mr. Benner would like to arrange to deposit $200 per month, he can have not only $24,000 of low-cost life insurance but he will also be guaranteed that if he becomes disabled, the insurance will be kept in force and his $200 monthly investments will be made for him. If he wants to use his "loan value," he can make a partial withdrawal for $1 and put the money back at his convenience for another $1. Or he can take his mutual fund shares into his local bank and borrow against them—and he won't have to pay the 6% he'd pay to borrow on his insurance policy, either! Under these conditions, aren't Mr. Benner's objections completely invalid?

These comparisons could go on indefinitely but they are not the purpose of my letter. Rather I wish to plead with Mr. Benner and the other sincere, well-meaning men who are stubbornly resisting the changing times. In the years ahead, they are going to sell more life insurance than they dared to hope. Many Americans will be buying it because a trained salesman of a mutual fund/insurance "package" told them they didn't have enough protection and advised them to waste no time in calling their insurance man. Will not Mr. Benner and his colleagues show similar objectiveness and not demand every last nickel the policyholder has in the world? Can we not hope for some measure of recovery from that strange occupational disease from which they suffer, that curious form of blindness which makes them sincerely believe that life insurance is the be-all and end-all of everything and that nothing else is honest or reputable or worthwhile? Can we not have done with this nasty business of distributing millions of pieces of low-level literature describing mutual fund owners as "lambs being led to the slaughter"?

We are not competitors. We can be of great mutual help, each complementing the work of the other. Can we not carry on that work in an atmosphere of mutual friendliness and respect?

If we can, both industries will prosper and grow and will serve the American people well.

NORMAN F. DACEY.

Norman F. Dacey and Associates,
Financial Consultants-Trustees,
114 State Street,
Bridgeport, Conn.,
Dec. 6, 1954.

Mutual Funds

By ROBERT R. RICH

IN WHAT is believed to be the first development of its kind in the mutual fund industry, National Securities & Research Corporation of New York announced establishment of an Atomic Energy and Electronics Division.

Henry J. Simonson, Jr., President, in making the announcement, said "the future development of atomic energy and electronics undoubtedly will have an increasing influence on most of the corporations whose securities are included in the assets of the National Securities Series of mutual investment funds now aggregating more than $200 million."

"In order to keep abreast of the developments of the Atomic Age," Mr. Simonson explained, "we have organized this new division within National's Economics and Investment Department."

As the first step in the Division's organization, he added, National Securities has retained Nuclear Consultants, Inc. to serve as scientific Consultant and Technical Adviser in the atomic energy and electronics fields.

"Nuclear Consultants will examine the activities and special endeavors of corporations whose securities are in the portfolios of the National Securities Series and will analyze their long and short term potential in the field of atomic energy and electronics," Mr. Simonson said. In addition, all technical and scientific activities of corporations will be closely watched by the consulting firm.

Nuclear Consultants, Inc., which maintains offices and laboratories in New York and St. Louis, has a full time scientific staff, augmented by prominent consulting scientists.

Dr. Kennard H. Morganstern is President of Nuclear Consultants, Inc.; Dr. Wilfred R. Konneker, Vice-President; Karl P. W. Wolf, Senior Design Engineer; Dr. Marshall Cleland, Senior Physicist; Dr. Jack L. Stone, Senior Physicist; Howard Haselkorn, Physicist; David Silverstein, Physicist; Cosmo Rutigliano, Senior Bio-Chemist; Waldo DeVore, Electrical Engineer; Ralph Kuelle, Research Engineer; and Robert Haake, Electronic Engineer.

Consulting scientists include: Jonathan Townsend, formerly senior physicst of AEC Laboratories at Oak Ridge, Tenn., and Jerry Huthis, previously with AEC at Los Alamos, New Mexico.

A PROGRAM that relates the growth phenomenon of electronics and estate building through systematic investment is outlined in a new folder — "The Electronics Fund Investment Plan"—just published by Television Shares Management Corporation, 135 South La Salle Street, Chicago 3, Ill.

One section discusses estate building under such headings as Inflation Problems, The Equity Hedge, Dollar Cost Averaging, Growth as a Medium, and Dividend Compounding.

A second treats in non-technical language of "The Electronic Age." Electronics, says the folder, is not only creating a second industrial revolution, but in many other respects is changing the habits and customs of our lives.

"And Electronics is a business in a hurry," the folder continues. "It took the automobile 16 years to become a billion dollar business. Electronics did it in three," the folder points out.

It goes on to say, in part: "Now experts forecast a $20 billion electronic business by the mid-60s. Here are some of the things to come: Low-cost midget air coolers, TV sets that hang on the wall

Continued on page 121

THE MARKET . . . AND YOU

By WALLACE STREETE

The market's backing and filling, now some two weeks old, continued for the most part this week but despite the pause in the spirited upturn set off by the elections, the industrials refuse to back down to anywhere near the level generally expected. The 380 target for a reaction is still further away than the record-shattering 393 level posted a bit over a week ago.

* * *

Some Skyrocketting Rails

Judged solely by the rail average, the carriers have been outperforming the industrials, but this is a bit misleading since some skyrocketting by Atlantic Coast Line was chiefly responsible for the superior performance of this index. Coast Line for reasons not too well outlined, was able to post a peak gain of nine points one day and follow it up the next with another eight point hop before running into a bit of opposition.

* * *

Some of the other rails put on what at best was an erratic performance, not the least being Boston & Maine. Despite a rather carefully worded statement by the President of Delaware & Hudson about conferring on mutual problems with the B. & M. people, traders saw in it enough to boost B. & M. well past 10% in value in one session, but then the stock gave it back for the most rather easily. If anything, Santa Fe favored the easier side but wasn't particularly noteworthy on weakness, and Missouri Pacific preferred forged into new high ground with determination.

* * *

Week's Puzzle

The week's puzzle was the newish Texas Pacific Land Trust, now shorn of its mineral rights and representing at present merely sizable grazing lands. The spin-off of four shares of TXL Oil Co., to which the oil properties were transferred, arithmetically cut $132.50 from the $142 value of Texas Land posted in the last sale before the distribution. It left a value of around $10 for Texas Land, but the stock roamed around wildly over a range of half again as much.

* * *

All the fanfare eventually spread out to the TXL Oil issue which also went into some extreme movements that mostly reflected trading gyrations rather than any underlying cause. Without too much effort, considering its brief trading history, TXL Oil bounced from a technical new low one day to a new high the next, as a faint indication of erratic behavior.

* * *

Amerada was among the issues that continued its new appearance in the limelight after a rather long hiatus. Despite its rather high price tag, it was able to add to its value by better than 10% last week and this week continued to push into historically high territory, only exceeded by the all-time high of 1952 now only a short distance away. The oil division generally hardly shared in this new popularity with most of the issues weaving a rather erratic course that, too, added up mostly to backing and filling.

* * *

Profit-Taking Absorbed

Under cover of a generally steady to only slightly easier market, some sizable profit-taking was absorbed and in most cases rather easily. A few of the recent runups, however, suffered a bit more than the routine issues. Western Union, which was carried to a peak for a quarter century on all manner of rumors and expectations, backed up a bit abruptly when none of the hopes panned out and the company handled its dividend routinely.

* * *

DuPont, not too removed from its last flurry of popularity, was one of the casualties of the week, easing somewhat steadily with a couple of sizable losses stacked together. American Telephone, too, eased from its new eight-year peak once the dividend was assured, a habit this issue has been showing around the time for the stock to go ex-dividend. Some of the aircrafts were rather prominent on weakness, Chance Vought about as limp as any others in the group.

* * *

Play in Low-Priced Issues

That the low-priced stocks are getting an even better, albeit still quiet play, than some of the secondary issues is getting more evident. Such low-priced items as Alleghany Corp., Graham-Paige, Mexican Electric, International Mining, Hayes Mfg., and Benguet Mining have scored some of the better gains, percentagewise, since the election runup began.

* * *

For the motors, including both the independents and the big makers, a general wait-and-see attitude prevailed, even the traders apparently waiting on something concrete to emerge from the new model season before taking a firm stand on any of them. Chrysler, because of the large short interest persisting in the stock, and because it is far more depressed from its peak than the others showed some of the wider swings in this group but little was accomplished overall.

* * *

Electrical equipment firms came as close to a stalemate as is possible in the fluctuating stock market world. General Electric held in a narrow band without little around, or in sight, to promote any spirited action and the more volatile Westinghouse confined its movements to an occasional gain or loss of as much as a point. A rather concentrated recommendation by many market analysts of certain foreign electrical issues as better value at present levels than the American companies might have had a hand in the disinterest.

* * *

Utilities continue to loll around without making any serious bid to penetrate their August high, leaving them the major division that has yet to run the comparisons back two dozen years or, as in the case of the industrials, to historic levels. While this might impair the market's technical position to some purists, it was about the only impairment around.

* * *

Whenever there is any concentrated selling, volume tends to lighten and, for the first time since the day after election, fell well under the 3,000,000 level on the easiness this week. And while the new highs were whittled down a bit, nevertheless they continue to outpace the new lows by 20-to-1 or better.

* * *

Some Rough Handling

As far as specific issues are concerned, except where the market is unusually thin, such as in Spencer Chemical which was rather roughly handled on at least one occasion this week, the issues involved that give ground do so stubbornly unless there is dire news to speed the descent.

* * *

Cement issues made a rather unanimous group retreat but it was a mild affair for the most and not illogical on top of the steady advance that had carried them to high levels. Steels stood their ground well, with Bethlehem a bit more erratic than the rest and inclined to move around by full points when fractional movements were the rule in the group.

* * *

Some of the wider losses were prompted by too-high expectations over yearend dividend actions, virtually every issue reporting good profits being more or less expected to sweeten up the final 1954 declarations. Conversely, these high expectations continue to inspire profit-taking where the action is good, an ailment especially apparent in Cities Service.

[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.]

On Fishing Expedition

William G. Carrington, Jr., (left) Manager of the Municipal Bond Department of Ira Haupt & Co., Juan (Tito) Alberto Wirshing, (center), President of Don Q Rum Distilleries, Ponce, Puerto Rico, and Estaban (Chilo) Bird, of Banco Credito Y Ahorro Ponceno, San Juan, Puerto Rico, are shown with a 54 pound sail fish caught by Mr. Bird on a recent fishing expedition off San Juan. Another member of the group, Brainerd H. Whitbeck, of The First Boston Corporation, left the group a little earlier at sea to augment his supply of sea-sickness tablets.

Business Prospects for 1955

By CLEO F. CRAIG*
President, American Telephone and Telegraph Company

A. T. & T. executive expresses view that, barring any major change in the international situation, industrial activity as a whole is going to improve moderately during next two years. Says "we in A. T. & T. are optmistic." Expects A. T. & T. to spend $200 million in each of next two years in construction. Stresses importance of "big business keeping intimacy with the people" and thus create a climate in management that nourishes our way of life. Concludes "the bigger we grow the more we must make sure we stay small in the community."

You in life insurance and we in the telephone business have much in common. And that encourages me to compare notes with you.


Cleo F. Craig

For instance we are alike in being service industries. We are alike in being big. We are alike in that everything we accomplish depends on how well the hundreds of thousands of men and women in our respective organizations get along in each of their communities. As still another similarity, we both need to look ahead and make the best forecast we can of things to come.

With this last point in mind, one of your members suggested that I say something about how we in the Bell System try to look ahead, and what we think we see.

I am quite willing to do that, but apropos of how to look ahead scientifically, let me remind you of the eminent astronomer who paid a visit to Mt. Palomar Observatory. He peered long and intently through the big telescope. Finally he said, with the air of a man who has discovered one of the secrets of the universe, "It's going to rain."

An assistant who was standing by said, "Is that so, Professor? How can you tell?"

The great astronmer replied, "My feet hurt."

Now just as he tried to take all the important facts into account, so do we in the telephone business. We look to see where people's feet are taking them — how much money they have to buy what they want when they get there—and how many additional folks of all ages will be around next year and the year after that.

In each community we study the extent and direction of growth of dwelling units and shops and other businesses—the prosperity of the industries in the town—all local activities that may have a bearing on communication needs.

We estimate those needs town by town, add them up, check the result against long-term growth trends and the general business outlook. In this way we judge what the overall demand for telephone service may be.

That's one side of the equation of the future. The other side, as I've already indicated, is the same in our business as in yours—the character and capacity of our people; not merely their technical abilities, but what they think and what they want to accomplish.

I'll say more about that later.

First I'll stick my neck out and do some forecasting as requested. I'll start with the immediate future and go on from there. The only hedge I'm obliged to make is that these comments are based on the assumption of no major change in the international situation.

Industrial Activity Will Improve

For the country as a whole, we think industrial activity is going to improve moderately in 1955 and also 1956. How much? Maybe 5% each year as we now see it; so that at the end of the period the nation will be operating about on the peak levels of 1953.

For the Bell System we are also optimistic. This year we shall gain over 1,850,000 telephones—about as many as last year. Next year we expect to have a gain in excess of two million telephones and I won't be surprised if we exceed two million again in 1956.

Another important factor is our long distance traffic which is setting new records. This is now running about 10% ahead of a year ago—whereas 5 or 6% has been nearer to our normal increase. Perhaps part of the reason is that autumn a year ago showed no gain. In 1955 we expect the total volume of long distance conversations to be 5 to 10% above the present record levels.

Now to look a little further ahead.

When the war ended the Bell System was serving about 22,000,000 telephones. Today we have 43,000,000. By 1965 we think the number will be at least 55,000,000; probably more.

So we foresee a good, substantial, healthy growth. We have always grown faster than the country as a whole and we think that will continue.

I'm also quite sure that the service is going to keep on getting better. People have made it pretty plain that they like to dial their calls. That's the fastest, most convenient and most accurate way of completing a connection. At the war's end 65% of our 22,000,000 telephones were dial. Today 83% of the 43,000,000 are dial. Five years hence the proportion will be 95% or more.

Along with this there's going to be a great increase in long distance dialing. You may not realize it but right now the operators are dialing half of all long distance calls straight through to the distant telephone.

When you place a call with the New York operator for a San Francisco number, she dials that number direct from her switchboard here in New York and the called telephone in San Francisco rings automatically in a matter of seconds.

Telephone users themselves are dialing directly about a quarter of the calls that go outside their local area. Most of them are over relatively short distances—but there are now about 25 places or will be by the end of the month where people dial many of their longer cross-country calls as well.

By 1965 we expect that you folks in the room will be dialing a majority of your long distance calls, cross-county and cross-country. This means that going anywhere you want to go by telephone will be easier and faster.

Now to turn from service to dollars. As I understand it, assets of the life insurance companies have grown since the war roughly from $45 to $83 billion or thereabouts. Total capital of the Bell System has gone from $4 to $11½ billion — an even greater proportionate increase.

AT&T New Construction Outlays

Our expenditures for new construction during the nine postwar years have averaged about $1,200,000,000 a year. They will be close to $1,400,000,000 this year, and approximately the same next year. Of special interest to you, our need for new money is roughly in the order of $200 million every three months.

It would be pure speculation to guess just when Bell System capital will total $20 billion instead of $11 billion plus, or when we may be owned by two million share owners instead of $1,300,000.

But I would be sure that day is coming—just as you must foresee that instead of having obligations of a mere $300 billion of life insurance in force (or something more than the entire national debt), you are going to be responsible for $500 or $600 billion or whatever it may turn out to be.

Now I've talked a lot of figures. From them it's clear that we in the Bell System are going to stake more billions on the future — many more. That's what all our experience and study tell us is right and necessary to meet the tremendous growth that is surely ahead in this country of ours.

Our Impact on the Community

I've been quoting figures partly to stress the sheer immensity of them, but mainly to lead up to what is most on my mind. Exact amounts don't matter. What really matters to me, as it must to you, is that what we are doing has

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*An address by Mr. Craig at the Annual Meeting of the Life Insurance Association of America, New York, Dec. 8, 1954.

Materials and Resources For the Nation's Growth

By WILLIAM S. PALEY*
Chairman, President's Materials Policy Commission, 1951-52
Chairman, Columbia Broadcasting System

Mr. Paley, in commenting on the Report of the President's Materials Policy Commission, entitled "Resources for Freedom," tells of the difficulties in making estimates for the future regarding such matters as population growth, size of the working force, productivity, and use of materials and resources. Sees signs in the slowly rising real costs of materials that undermine our standard of living so slowly as to be unnoticed, but which may in time be catastrophic. Points out choice now is between voluntary and forced planning. Concludes, however, though squandering of resources is an evil, it is stupid to hoard them, and an economical consumption should be the watchword of an abundant and efficient economy.


William S. Paley

Government reports, when they have any results at all, produce them in two ways. One is via direct action. Of this, ours has had so far only a little. The other is via general diffusion. Of this, I am happy to say that ours seems to have had a satisfactory amount. Quite a few people know today that a Materials Problem of some severity faces the United States and all the industrialized nations of the Western World. Not very long ago, a distinguished British Economist, Professor Colin Clark, wrote a critique of our report. For some things he praised us; for others he took us to task. But he started his learned comments by saying that it was obvious, from every aspect of the President's Materials Policy Commission Report, that one of its principal objectives was "to influence public opinion."

When made against a government report, this is a grave charge. Let me meet it head on. On behalf of the entire Commission, I enter the plea of guilty—not just plain guilty, but guilty with premeditation. All we can do here is throw ourselves on the mercy of the court, and claim "extenuating circumstances" — the extenuating circumstances being that if public opinion is **not** influenced on behalf of the materials problem, our high standard of living is going to begin to decline; and even more than that, our security as a nation is going to be threatened **by a condition of our own making**. Grave problems will also face the rest of the Free World. These are matters for the Congress of the United States to ponder with much more seriousness than has been in evidence yet. And the thinking in the Congress must be paralleled by similar thinking in business and industry — and in the Executive Branch of Government, too.

A Predictive Report

Ours was not a predictive report; we indulged in no prophecies. But we did have to make assumptions, and then draw what we hoped were sensible lines of projection from them. One assumption had to be about population growth; others were the size of the working force, productivity, the length of the working week, etc. On population, as of 1951, we had many conferences with the Bureau of the Census, and assumed a U.S. population figure, for 1975, of 193 million persons. Already that estimate is beginning to look too low. The same Professor Clark I spoke of is sure the estimate is far too low, and said that all our figures ought to be boosted by 22%—"on population grounds alone." To this our own Professor Edward S. Mason, a member of the Commission, responded by saying: "Professor Clark's statistical estimates never lack assurance, and even in this uncertain area his forecast of the fertility of American womanhood displays his usual self confidence." You can see how far afield the controversies range.

I have already referred to our hectic days but if anyone had wanted to get a really intimate view of the close relationship between trying to look into the future and chaos, he could not have done better than visit our Commission offices after our work had been about six months under way. Our assignment was so broad that we had to consider not only all kinds of materials — metals, minerals, non-minerals, wood and water, fuels for energy, and energy itself—but also, as above, "the fertility of American womanhood." We had to keep our eyes on Peace, but not blink at the possibility of extensive war. We had to think of our own domestic resources, and also of the resources of friendly nations, and how policies relating to investment, taxation and tariffs might affect their world production and flow. We had to study commodities, one by one. We had to think, with the aid of the Military, about the safety of world supply lines, and how a rupture in these might hazard the security of the United States. We had to think about technology **as a resource**. Nor was that all.

Preparation of the Report Was Rough Going

Now it would be very pleasant to be able to tell you that all this went smoothly—but in fact it did **not**. It was rough going. With all our stubborn facts and problems we worked and worked, and after six months our files were full to overflowing. No one will ever know how many million words we acquired just by writing our own preliminary sub-reports, or working papers, or memoranda, or in acquiring the reports or criticisms of others. We were almost suffocated in mimeograph paper. At the end of one hot and discouraging summer afternoon, as I was going home, I overheard a corridor conversation between two young men on the staff, in which one of the young men said: "I think we ought to take all files, just as they are, and ship the whole works off to Russia!"

Just as I was wondering if I had bumped into a dramatic example of subversion, the young man went on: "Those files would get the Russians so mixed up they wouldn't know what to do for the next 50 years."

I tiptoed away. My mind was relieved about the subversion, but it was not very much set at rest about our report. There was altogether too much truth in what the young man said.

But — time brings forth many

Continued on page 122

*An address by Mr. Paley before the National Planning Association, Washington, D. C., Dec. 13, 1954.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

In reviewing events of the past year, holders of bank stocks have several reasons to be pleased with their investments at this time.

In the first place, operating conditions have been generally favorable. Despite some easing in interest rates, the loan volume has been relatively well maintained. With the aid of a larger volume of funds, income from investments has improved. Together with other income, gross earnings in most instances should therefore show substantial gains over a year ago.

Even though operating expenses have risen, the increase has been less than in gross earnings. Taxes under these conditions should be higher; however, accruals vary from bank to bank largely because of security transactions. In 1953 many banks took sizable tax losses which tended to reduce their liability although the method of accounting for such transactions showed considerable variation among different institutions. This year, on the other hand, many banks have taken substantial capital gains. Once again the method of handling the tax liability has had a marked impact upon tax provision.

Regardless of this, however, the operating reports issued for the first nine months indicate that final net operating earnings for the year should compare favorably with those of 1953. On top of this, the capital gains established by many banks from security sales for the current period are substantial. All in all 1954 should be one of the best years for bank earnings in a long, long time.

Of greater immediate significance to stockholders, however, is the matter of dividends. Here too distributions are at record levels. In New York City most of the banks have enlarged their payments to stockholders or announced their intention of doing so through larger cash distributions, stock dividends or stock splits. In areas outside of New York, the action has been similar, so that bank stockholders generally are sharing in the improved earnings being realized.

One of the most recent declarations among New York City banks and something of a surprise was that made by The Hanover Bank. A week ago, the bank announced a stock dividend of one additional share for each nine held and a stock split of two-for-one. These proposals will be voted on at the annual meeting to be held in January, 1955. It was also stated that the new shares when issued would be put an an annual dividend of $2.00 a share as compared with the present payment of $4.00.

There was also good news last week for stockholders of Manufacturers Trust. The bank raised the quarterly rate from 75 cents to 80 cents. This would indicate an annual distribution of $3.20 a share as compared with $3.00 distributed in the past 12 months.

Another of the New York banks to make an extra payment recently was Bank of New York. Earlier this week the bank declared an extra of $2.00 a share which together with the four quarterly payments of $4.00 brings the total for the year to $18.00. In 1953 the same amount was distributed but the extra was larger, as the quarterly rate was $3.50 at that time.

The First National Bank of New York also declared an extra earlier this week. The payment of $3.00 to be distributed the first of next year is the same as declared a year ago which together with the quarterly dividend of $5.00 indicates a payment of $23.00 or the same as paid in 1954 and a little more than the $22.00 distributed in 1953.

A number of the other New York banks increased their payments earlier this year. National City increased their payment prior to the financing last October, raising the quarterly rate from 55 cents to 60 cents.

In October the Chase Bank declared 15 cents extra and raised its quarterly rate from 50 cents to 55 cents.

In November New York Trust increased its quarterly rate from $1.25 to $1.50 and announced its intention to split the shares two-for-one in January, 1955.

These together with some of the other increases made earlier in the year should make bank stockholders happy. Of course the action has been more widespread than indicated above. Banks in Boston, Chicago and California have also been more liberal.

In view of this and the prospects for next year, it is little wonder that bank shares have been giving a better account of themselves recently.

Garvin, Bantel & Co. To Admit De Paola

Garvin, Bantel & Co., 120 Broadway, New York City, members of the New York and American Stock Exchanges, announces the admission as general partner of Ralp De Paola on Jan. 1, 1955. Mr. De Paola is manager of the firm's Federal funds department.

Penington, Colket Co. Adds William D. Hall

PHILADELPHIA, Pa.—Penington, Colket & Co., 123 South Broad Street, members of leading stock exchanges, announce that William D. Hall has become associated with them as a registered representative. Mr. Hall has been active in the investment securities business for many years. Prior to joining Penington, Colket & Co. he was associated with George A. Bailey & Co.

Kingdom of Belgium Bonds Offered

In an operation, which is the first of its kind, the Kingdom of Belgium on Dec. 15 borrowed $50,000,000 in a combined transaction with the investment market and the World Bank. The transaction consists of an offering of $30,000,000 of Belgian bonds by an underwriting group of 71 investment firms headed by Morgan Stanley & Co. and Smith, Barney & Co.; and of a $20,000,000 loan by the World Bank.

Seated (left to right): Eugene R. Black, President of World Bank; Baron Silvercruys, Belgian Ambassador to the United States; John M. Young, Partner, Morgan, Stanley & Co.

Standing (left to right): Burnett Walker, Partner, Smith, Barney & Co.; and Perry Hall, Managing Partner, Morgan Stanley & Co.

E. I. Shelley Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Alma P. Gorden is now affiliated with E. I. Shelley Company, Ernest & Cramer Building.

Joins A. G. Edwards

(Special to The Financial Chronicle)

JACKSONVILLE, Ill.—Marie W. Ritchie has joined the staff of A. G. Edwards & Sons of St. Louis. Mrs. Ritchie was previously connected with the local office of Fusz-Schmelzle & Co.

With Taussig, Day Co.

(Special to The Financial Chronicle)

SPRINGFIELD, Ill. — Edgar J. Reilly has become associated with Taussig, Day & Co. Inc., of St. Louis. He was formerly with the local office of A. G. Edwards & Sons.

B. C. Morton Co. Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Alvin A. Gerard is now connected with B. C. Morton & Co., Penobscot Building.

Straus, Blosser Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Floyd W. Knox is now affiliated with Straus, Blosser & McDowell, Banker Equitable Building.

Slayton Co. Adds Four

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Carl E. Brooks, Norton E. Claypool, Edward L. McGrath, and James J. Tracy have joined the staff of Slayton & Co., Inc., 408 Olive St.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Walter M. Hawkins and John J. Smith, former Assistant Vice-Presidents, have been elected Vice-Presidents of **Chemical Corn Exchange Bank, of New York,** it was announced on Dec. 10, by N. Baxter Jackson, Chairman. Mr. Hawkins, who joined the bank in 1924, has been a member of the Metropolitan Division. Mr. Smith, who began his career in 1919, has been manager of the 50 Court Street, Brooklyn office. In their new positions each will be assigned a group of offices in the bank's plan of regional supervision.

* * *

At the annual meeting of the stockholders of the **Bank of the Manhattan Company of New York** on Dec. 7, J. Stewart Baker, Chairman, made the following statement:

"There have been no conversations during the year concerning the possibility of a merger of Bank of the Manhattan Company into any other bank. There have been conversations concerning the possibility of other banks merging into or selling their assets to Bank of the Manhattan Company, but as yet nothing definite has come of them. I am sure you realize any discussion of these conversations at this time would not be good for our bank, would be unfair to the other banks, and might make it difficult for us to continue the conversations."

* * *

The Board of Trustees of **The Bowery Savings Bank of New York,** has elected Fred K. Cordes and Chester W. Schmidt, Vice-Presidents and appointed Myrtle M. Hunt, Assistant Vice-President; Rudolph J. Prahst, Chief Appraiser; Albert S. Doolittle and Cortland O. Burckhardt, Assistant Treasurers; Ralph A. Moller, Alwin W. Neumann, Howard E. Barker and Martin W. Hiller, Deputy Controllers; Robert Lundon, Principal Executive Assistant. Mr. Cordes and Mr. Schmidt were promoted from Assistant Vice-Presidents. Miss Hunt and Mr. Doolittle were promoted from Assistant Secretaries; Mr. Prahst, Mr. Burckhardt, Mr. Moller, Mr. Neumann and Mr. Hiller from principal Executive Assistants. Mr. Barker was formerly Chief Clerk.

* * *

Savings Bank Women of New York, held their Annual Christmas Tea on Tuesday, Dec. 14, at the Starlight Ballroom of the Waldorf-Astoria, New York. Over 500 members and guests were in attendance. It is at this annual function that contributions are solicited by the **Welfare Committee** headed by **Mrs. Frances Lange,** Assistant Secretary of the **Bronx** Savings Bank, to take care of hospital visitations with suitable gift distributions to adults and children in various Metropolitan hospitals not only at Christmas but throughout the year. During the past year, 12 such visits were made, covering 1,200 patients. Miss Pauline Sussillo, of the East River Savings Bank, is Chairman of the Christmas Tea Committee and Miss Millicent Trichler, Assistant Secretary of the Dollar Savings Bank is President of Savings Bank Women of New York. Miss Meta E. Tompkins is the press representative.

* * *

Sterling National Bank & Trust Company of New York, announced over the week-end the election of Dr. Charles F. McKhann as a director of the bank. Dr. McKhann is Chairman of the Executive Committee and Director of Zonite Products Corporation, Director of Stanley Warner Corp., and Director of the International Latex Corp. He is also Chairman of the Board of Playtex Park Research Institute and a member of the Executive Committee of the United Cerebral Palsy Associations.

* * *

Manufacturers Trust Company of New York, announces the opening on Dec. 11 of its new **"Forest Hills"** Office at 63-63 108th Street, near 63rd Drive, **Forest Hills, Long Island, N. Y.** Albert Rofman will be Manager of the new office, and Leonard Hines, Assistant Manager. The opening of this office brings the total number of Manufacturers Trust's offices to 112. Of the total, 16 are in Queens County. After the opening day (Dec. 11) the new office was open from 9 a.m. to 8 p.m.; regular banking hours are from 9 a.m. to 3 p.m. The office also will be open from 6 p.m. to 8 p.m. Monday evenings.

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on Dec. 14, W. Carter Chapman, Jr., Walter F. Fitzpatrick, Christopher R. P. Rodgers, Theodore C. Serocke and Joseph Stefan, formerly Assistant Cashiers, were appointed Assistant Vice-Presidents. James Allan, William H. Boesling, Jr., Richard W. Freund, William F. Hildenbrand, William K. Hora, S. Lowell Hoxie, Harold V. Mendelsohn and John H. Skinner were appointed Assistant Cashiers.

Messrs. Chapman, Fitzpatrick, Allan, Boesling, Hoxie, Mendelsohn and Skinner are associated with the Bank's Personal Credit Department; Mr. Rodgers with Personnel Administration; Messrs. Serocke, Freund and Hildenbrand with the Check Processing Department; Mr. Hora with the Economics Department and Mr. Stefan with Research and Development.

* * *

The Board of Trustees of **The Hanover Bank, New York** has declared, subject to approval of stockholders, a stock dividend at the rate of one share for nine, thereby increasing the capital from $27,000,000 to $30,000,000, and recommended issuance of two shares of $10 par stock for each share of $20 par stock, which will result in outstanding capital stock becoming 3,000,000 shares of $10 par.

At the annual meeting Jan. 19, stockholders will be asked to authorize necessary amendments of the charter.

The stock dividend is to be paid Feb. 15 to holders of record at the close of business Jan. 21.

* * *

Blair & Co. Inc., as underwriter, announces that the 26,000 shares of $12.50 par value capital stock of **The Fort Neck National Bank, at Seaford, Long Island, N. Y.,** originally offered to the bank's stockholders at $20 per share, have all been subscribed for. Holders of the capital stock of the bank were offered rights to subscribe to these additional shares on the basis of one new share for each two shares held of record Nov. 16. These subscription rights expired Dec. 7. Proceeds will be used to increase capital funds of the bank incidental to opening a third branch of the bank at Massapequa Park. A previous item as to the bank's plans appeared in our issue of Nov. 25, page 2160.

* * *

At a special meeting held on Dec. 13, the Board of Directors of the **Rockland-Atlas National Bank of Boston, Mass.** voted to recommend to the bank's shareholders at the annual meeting on Jan. 25, 1955, a two for one split in the capital stock of the bank, and an increase in capital through the sale of 37,500 additional shares of capital stock.

If approved by the shareholders and the Comptroller of the Currency, the stock split and the increase of capital will result in a total capitalization of 260,000 shares of stock of $10 par value. Present capitalization is 111,250 shares at $20 par value. Present capital of $2,225,000 plus surplus and undivided profits are in excess of $7,500,000 as of the last official call date.

Under the proposed split, shareholders of record as of Jan. 25, 1955, will receive two shares of $10 par value stock for each share of $20 par value. At the same time, 37,500 additional shares of stock of $10 par value will be offered to shareholders on the basis of one new share for each five and 14/15 shares, at a price to be approved at the annual shareholders' meeting.

* * *

The Keansburg National Bank of Keansburg, N. J., which on Oct. 21 increased its capital from $100,000 to $200,000, by a stock dividend of $100,000 has further enlarged its capital to $250,000 as a result of the sale of $50,000 of new stock. The latter became effective Dec. 1. The earlier increase in the capital was noted in these columns Dec. 2, page 2261.

* * *

The Sligo National Bank of Sligo, Pa. capital $25,000 and the **First National Bank of Rimersburg, Pa.,** capital $50,000, were placed in voluntary liquidation effective Nov. 20, both banks having been absorbed by the **First Seneca Bank & Trust Co. of Oil City, Pa.**

* * *

The Fidelity Trust Company of Pittsburgh, on Dec. 9 opened its 12th banking office in suburban Monroeville Borough, center of one of the city's expanding residential areas. The official opening was preceded the night before by an open house celebration, during which the guests were conducted through the entire banking facility. They received souvenirs and were awarded door prizes. John A. Byerly, President of Fidelity, and Norman Sanderson, Manager of the new Monroeville branch, acted as co-hosts to the preview visitors. The new office, located in Monroeville's Mile Town & Country Shopping Center, replaces temporary facilities on the William Penn Highway, which have been in operation for a year and a half.

* * *

The National Marine Bank of Baltimore, Md., with common capital stock of $600,000 was placed in voluntary liquidation effective Nov. 30, its business having been taken over by the **Fidelity-Baltimore National Bank & Trust Co. of Baltimore.**

* * *

We announce with deep sorrow the death of Charles E. Rieman, Chairman of the Board of **The Western National Bank of Baltimore,** died on Dec 4.

* * *

Allan A. Campbell, of Norfolk, was elected an Assistant Cashier of **The Bank of Virginia of Richmond, Va.,** by the bank's board of directors at the regular December meeting in Richmond on Dec. 10. A native of Springfield, Mass., Mr. Campbell is a graduate of Deerfield Academy and the University of Virginia, where he received a B. S. degree in 1943. From September, 1943, through January, 1946, he served in the U. S. Marine Corps as a First Lieutenant and is the holder of the Purple Heart and Gold Star. He joined the staff of The Bank of Virginia in Norfolk on July 1, 1952 and is currently assigned to the commercial development department.

* * *

The First National Bank of Cincinnati, Ohio, increased its capital as of Dec. 1 from $6,525,000 to $8,482,500 by the sale of $1,957,500 of new stock. On Oct. 18 the bank had offered to its stockholders of record Oct. 15 the right to subscribe on or before Nov. 19 for 195,750 additional shares of stock on a 3-for-10 basis, price $20 per share.

* * *

As of Nov. 1 the **National Bank of Lima, at Lima, Ohio,** reports a capital of $750,000, increased from $600,000 as a result of a stock dividend of $150,000.

* * *

Directors of **Harris Trust and Savings Bank of Chicago,** at their meeting on Dec. 8, elected a new Vice-President of the bank, two new Assistant Vice-Presidents and named three other new executives. Roy A. Johnson was named a Vice-President in the banking department. Mr. Johnson, who serves in one of the bank's loaning divisions, has been associated with the Harris Bank for 37 years and has wide experience in commercial banking. He was named Assistant Cashier in 1953 and Assistant Vice-President in 1948. Paul J. Miller, a member of the correspondent bank division serving Illinois banks, was named Assistant Vice-President. Mr. Miller joined the bank in 1934, serving in the analysis, auditing, banking and personnel departments before joining the correspondent bank division in 1950. He was named Assistant Cashier in 1951.

Albert H. Vondenbosch was named Assistant Vice-President in the Trust Investment Division, where he has served since 1932. A graduate of the University of Illinois, Mr. Vondenbosch was named Assistant Secretary in 1948. He has been active in the Investment Analysts Society of Chicago and the American Institute of Banking, from which he holds a graduate certificate. The two new officers named by the board are Philip W. Burge, Assistant Secretary in the Trust Investment Division, and Charles S. Wesselhoeft, Assistant Auditor. Mr. Burge, who joined the bank in 1949, is a graduate of the University of Georgia and received a Master of Business Administration degree from Northwestern. Mr. Wesselhoeft joined the bank in 1936, has an extensive background in bank operations, and is a graduate of Northwestern University. Herbert W. Gorder was named Pro Cashier in the banking Department. Mr. Gorder, who joined the bank in 1932, is in the bank's wire transfer department.

* * *

Plans for the acquisition of the **Liberty National Bank of Chicago,** by the **Chicago National Bank of Chicago, Ill.,** are under way in accordance, it is stated, with arrangements approved by directors of both banks. The taking over of the Liberty Bank's operations and personnel by the Chicago National Bank is scheduled for Jan. 17, according to the Chicago edition of "The Wall Street Journal," of Dec. 9. From that paper we quote:

Under the consolidation plan, Chicago National will take over certain assets of Liberty, including Government bonds, municipal bonds and loans and discount, which at the time of the last condition statement Oct. 7 had a market value of about $54 million. Chicago National also will assume Liberty National's deposit liability, which on Oct. 7 totaled $59,681,423. Effective date for the final valuation of these factors will be January 14.

Maurice Cohn, Chairman and President of Liberty, estimated the remaining assets to be divided among Liberty's stockholders "will be between $4 million and $5 million, or between $400 and $500 a share." Liberty has 10,000 shares of $100 par stock outstanding and about 45 stockholders, according to Mr. Cohn. He will become a director and Senior Vice-President of the Chicago National after the consolidation. Shareholders of Liberty National will hold a special meeting early in January to vote on the action. No such ratification is necessary from Chicago National stockholders, according to Lester Armour, Chairman and President of that bank.

Mr. Armour commented that Liberty National has one of the larger trust departments of the outlying Chicago banks "and it is expected that this department will serve as a nucleus for such a department at Chicago National Bank, which presently does not function in the trust field."

Chicago National at the Oct. 7 condition call had total deposits of $102,208,016.

* * *

As a result of a $100,000 stock dividend the capital of the **Western National Bank of Cicero, Ill.,** is now, as of Nov. 29, $400,000, instead of $300,000 previously.

* * *

The capital of the **First National Bank of McAlester, Okla.,** has been raised from $200,000 to $300,000 as a result of a stock dividend of $100,000. The new capital became operative on Dec. 3.

* * *

The Bank of Dunedin, at Dunedin, Fla., has been converted into the **First National Bank of Dunedin** with a capital of $200,000 and surplus of $259,602. The change to the National system became effective Oct. 20. W. V. Register is President and R. J. Bolles is Cashier.

* * *

The directors of the **Union Bank & Trust Co. of Los Angeles, Calif.,** at their meeting Dec. 9, elected Robert E. Getz as a director and Vice-President of the bank, and Leonard Weil as an Assistant Cashier in charge of the Installment Loan Department, according to Ben. R. Meyer, Chairman of the Board and President. Mr. Meyer also reported that the directors authorized a stock dividend of 5,000 common shares to be distributed Jan. 3, 1955 to shareholders of record as of the close of business on Dec. 15. This is equal to one new share for each 18 now held. Scrip certificates will be issued for fractional shares. The result of the distribution of the stock dividend will be an increase of $250,000 in capital by a transfer from surplus. Concurrent with this distribution, the directors authorized the transfer of $1,000,000 from undivided profits to surplus, resulting in a net increase of $750,000 in surplus and in an increase in the total capital and surplus from $10,500,000 to $11,500,000. The directors also declared the regular quarterly dividend of $1.50 per share for the quarter ending Dec. 31 on 90,000 shares outstanding, Mr. Meyer continued, and a special dividend of $1 per share for the year 1954. This is the 153 successive quarterly dividend paid by the bank, and the 11th year in which the $1 extra dividend has been declared. Both these dividends will be paid Jan. 3, next to shareholders of record Dec. 15.

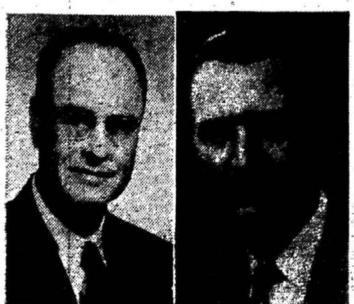
Robert E. Getz, the newly elected director and Vice-President of the Union Bank is a native of California. He joined Union Bank in February of 1948 when he became affiliated with the legal department. He was elected Assistant Vice-President in December, 1951. Mr. Weil, who was elected Assistant Cashier, has been with the bank since 1947, and has served in the capacity of Trust Auditor, real estate appraiser, etc.

* * *

William W. Crocker, Chairman of the Board of **Crocker First National Bank of San Francisco**, announced on Dec. 9, following a meeting of the directors, that the board increased the regular quarterly dividend on the bank's capital stock to $1 per share from the 90 cents per share previously paid, thereby putting the stock on a $4 per share annual basis. The dividend is payable Jan. 1, 1955 to stockholders of record Dec. 21. Mr. Crocker also announced the following promotions had been approved by the board: Charles J. Bradley, from Cashier to Vice-President and Cashier. Promoted from Assistant Vice-President to Vice-President were: Arthur Merkt, Edwin T. Hagan, F. R. Stent and Alvin F. Deire.

Forecast for 1955

Spending throughout the United States during 1955 for all goods and services may reach $370 billion, topping the previous record



Carrol M. Shanks Gordon W. McKinley

established in 1953 by approximately $5 billion and well above the $356 billion estimated for the current year, according to a comprehensive economic study submitted to President Carrol M. Shanks of The Prudential Insurance Co.

The forecast emphasized, however, that the outlook for this unprecedented business activity during the new year will not be accompanied by run-away boom conditions. On the contrary, it would be attained on a much sounder basis for the Nation's economic structure than in 1953, since it would not result from either heavy inventory accumulations in business and industry or from excessive government spending.

The survey, which is prepared annually by Dr. Gordon W. McKinley and his staff of Prudential economists, will be formally released as an informational guide for the company's management personnel in planning their operations.

"If the foregoing estimates prove correct, the year 1955 will not be a year of all-out boom," Mr. Shanks was advised. "The country, generally, will not have shortages, overtime, high cost operations. What we are likely to have is a quiet, steady advance in our standard of living, on a sound and efficient basis—a good laying of the groundwork to ensure continued prosperity in the years to follow."

Summing up major comparisons expected in 1955 with the present year, the report forecast:

(1) A rise of $9 billion in consumer spending.

(2) Continuation of existing levels of government (combined Federal, State and local) spending.

(3) Continuation of stability in consumer prices although there may be "some tendency to inch upward" later in the year.

(4) An increase of at least $5 billion of business spending because inventories are expected to remain constant throughout the year rather than decline as in 1954.

(5) Continuation near the present high level of business capital expenditures.

(6) Spending on new home construction close to the 1954 all-time record of $13.5 billion.

Halsey, Stuart Group Offer Telephone Bds.

Halsey, Stuart & Co. Inc. and associates yesterday (Dec. 15) offered $30 million of New England Telephone & Telegraph Co. 34-year 3⅛% debentures, due Dec. 15, 1988, at 102.22% and accrued interest, to yield 3.02%. The group won award of the issue at competitive sale Dec. 14 on a bid of 101.70%.

Net proceeds from the sale of the debentures will be applied by the company toward repayment of advances from the parent company, American Telephone & Telegraph Co. These advances, which were incurred for general corporate purposes, including additions and improvements to the company's telephone plant, amounted to $64,100,000 on Oct. 31, 1954.

The debentures will be redeemable at regular redemption prices ranging from 105.22% to par, plus accrued interest.

New England Telephone & Telegraph Co., with its principal office in Boston, Mass., is engaged principally in the business of furnishing communication services, mainly telephone service, in Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. On Sept. 30, 1954, the company had 2,539,105 telephones in service and a subsidiary had 8,483 telephones in service. The company furnishes toll service within the territory in which it operates, and its other services include teletypewriter exchange service, mobile radio-telephone service, and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the year 1953, New England Telephone & Telegraph Co. had total operating revenues of $236,879,082 and net income of $19,177,410. In an unaudited report for the nine months ended Sept. 30, 1954, total operating revenues were shown at $191,445,305 and net income at $14,428,959.

Associated with Halsey, Stuart in the offering are: Bear, Stearns & Co.; Coffin & Burr Inc.; Dick & Merle-Smith; Hallgarten & Co.; Shields & Co.; Wertheim & Co.; Bache & Co.; Ball, Burge & Kraus; Hirsch & Co.; Auchincloss, Parker & Redpath; R. L. Day & Co.; The Milwaukee Co.; Wm. E. Pollock & Co., Inc.; Singer, Deane & Scribner; Stern Brothers & Co.; Bryd Brothers; Julien Collins & Co.; First of Michigan Corp.; Ginther, Johnston & Co.; Mullaney, Wells & Co. and Schwabacher & Co.

Continued from page 7

Business in 1955 May Top '53

above, the $365 billion record level of 1953.

These expectations are based on the view that the current business improvement will continue into 1955. Inventory liquidation is likely to end soon; business spending on plant and equipment is not expected to decline much further, if at all, from current levels; defense orders appear to have passed their low point and are moving upward, at least for the time being. Prospects for somewhat higher economic activity in 1955 are further supported by the continuing strength in residential and commercial construction, the rising trend of public works, and the likelihood of some increase in consumer expenditures.

If these expectations materialize, requirements for investment funds in 1955 may be as great as in 1954, or even somewhat greater. However, the supply of funds seeking investment is also expected to remain large, and a pronounced rise in long-term interest rates appears unlikely. A significant expansion of business activity will mean more demands also for short-term credit, but the trend of short-term rates will depend mainly upon the policies of the Federal Reserve.

The modest business upturn of recent weeks has not caused a shift in credit policy, and the Federal Reserve has continued to maintain credit readily available, but it is certain that the authorities will keep a close watch on economic conditions and shape their policies accordingly. In its efforts at economic stabilization, the Administration has assigned high priority to credit and debt management policies. In an economy which is growing in many directions, alternate periods of expansion and contraction are to be expected, and the authorities have already given evidence of their determination to use their powers to restrain booms that might end in collapse as well as to forestall spirals of credit liquidation.

Uncertainties in the Outlook — No appraisal of the economy for a year ahead is complete without stressing some of the major imponderables in the situation. The international situation persists as a chronic uncertainty; deterioration in our international relations could require a reappraisal of our defense program and conceivably could give the economy another boost. A significant diminution of world tensions seems less likely at the present time, but if it should materialize, it could bring further reductions in defense outlays and for a while might lead to renewed drags upon the economy, although tax reductions would probably provide some offset.

Many uncertainties prevail also in the economic realm. Residential building, for instance, has been stimulated in recent months by the further liberalization of financing terms which brought additional buyers into the housing market. It is difficult to guess how long this stimulus may last or when the growing housing supply may dampen new residential building.

Again, labor demands in 1955 will be significantly greater than in 1954, and the guaranteed annual wage is being pressed with increased vigor. Consequently, labor troubles might subject industrial activity to serious interruptions, although this possibility may provide an incentive to production and inventory accumulation in the early part of 1955. Finally, the prices of common stocks have risen so much and so long that one may raise the question whether some correction is to be expected. In the opinion of most observers, any correction in prices is likely to be relatively moderate and perhaps fairly brief, but if these expectations should prove erroneous, business confidence might suffer a jolt.

The farther we look ahead, the greater loom the uncertainties that obscure the future. As a result, economic visibility beyond six months or so tends to be rather low in most instances, and the present is no exception. The forces of recovery appear fairly promising in the months ahead, but conditions must be reviewed constantly if estimates and opinions are to reflect unfolding events.

Marache, Dofflemyre Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James D. Creger has been added to the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Stanley Miller Opens

(Special to The Financial Chronicle)

DENVER, Colo. — Stanley C. Miller is engaging in a securities business from offices in the First National Bank Building. Mr. Miller was previously with E. I. Shelley & Co. and Robert D. Bowers & Co.

IBA Problems for the Coming Year

By WALTER A. SCHMIDT*

President, Investment Bankers Association of America
Partner, Schmidt, Poole, Roberts and Parke, Philadelphia, Pa.

Incoming IBA President, in stressing that we are living in the greatest age of all times, calls attention to the ever increasing important function of the Investment Banking industry in the pattern of the economy. Sees problems in the industry in the coming year, but notes progress since the days of 1929. Urges cooperation of all segments in the securities industry and points out importance of maintaining good public relations. Views future with optimism.

Walter A. Schmidt

I appreciate the confidence you have shown me in electing me your President. I realize it is the greatest honor which can come to anyone in our industry and that with it goes the responsibility of carrying on the aggressive work of the Association. Each President since our origin in 1912 has materially increased the momentum of our industry and certainly during the last 15 years their efforts have placed us among the leading trade organizations which actively carry the banner of free enterprise—in a free country—fighting for world freedom.

Nineteen fifty-four has been a year of hard work and results. Among many activities, the year will long be remembered because of the passing of the bills amending numerous provisions of the Federal Securities laws after 14 years of effort. Yes, Jerry Bryce [retiring IBA President] has done a great service for our industry and he has the real satisfaction of taking his place among the distinguished Past Presidents in terms of important accomplishments.

Continuing Problems for the Coming Year

At the opening of this Convention, Jerry's address pointed up the continuing problems for the coming year. Fortunately for you and me, your Vice-Presidents, who form our Executive Committee, are outstanding leaders in all phases of our industry. Our Board of Governors representing all parts of the country and Canada, our incoming Group Chairman, and our National Committee Chairmen are greatly respected, experienced men who will spearhead our work. The extent of the results of our efforts can always be measured by the performance at the Group and Committee levels. These are the men who carry the heavy burden—and we, your officers, will continuously try to steer this ship through the calm and heavy seas toward the highest goal which can possibly be attained. We all recognize the ability of our great staff. They are all capable, hard working persons in whom we all take pride. You know, as I do, that our entire team is a dedicated group. For me, it will be a great inspiration working with them. We hope our mistakes will be few—but be assured our efforts will run in high gear throughout the year.

The financial condition of the Association is excellent and we expect to operate within our budget.

History's "Greatest Age"

Sometimes I wonder if we appreciate that we are living in the greatest age of all times. The life span of most of us here today is approximately one-third of the 178 years since the Declaration of Independence in 1776. Discoveries and inventions have provided us with a world never dreamed of even relatively a few years ago — and surely the succeeding years will follow along at the same pace. We have seen our great country develop to the position of world leadership by taking advantage of the existence of our freedoms—propelled by the strong force of the will to do—called "free enterprise." The combined efforts of what are termed Government, Labor, Agriculture and Management, will produce an even greater result over the years —provided cooperation and coordination are maintained in practical proportions, with due respect for the rights of our neighbors. Surely, we will all get out of life directly in proportion to what we put into it.

That is America—and we of the Investment Banking industry, perform an ever increasing important function in the pattern of our economy. We distribute the securities which finance the flow of the greatest industrial production the world has ever known and we will continue to increase our facilities so as to carry on the even larger responsibilities which will be ours in the years to come.

To accomplish this job, we have to constantly look at ourselves in our mirror of experience. In my judgment, today's reflections point up three major directions of thought.

Industry Thriving

First—Twenty-five years have passed since the days of 1929. Today we see the national product at an all time high — with the market prices of all classes of securities at high levels—at least from the historical point of view —and firms in all phases of our industry are having a profitable year. To me, to the extent that those of us in the securities business could fairly be said to have contributed to that which happened in the 1929 era, our greatest mistake was one of judgment. We recommended to our clients securities more speculative than we realized. How about the condition of our clients' accounts today? I think today that we are honestly attempting to follow a sound course for the benefit of the investing public and the economy at large. There was never a better time, however, than the present to double check ourselves and our operations.

Second — In our industry there are numerous segments and associations. It is important that the liaison between each group be kept in the present excellent state of health, thus providing a proper framework within which each person in the industry can operate with the greatest degree of efficiency and effectiveness. We should continuously strive to increase the coordination between our various industry associations, maintaining and improving a healthy atmosphere for the investing public.

Third—Probably the oldest sub-

Continued on page 51

*Inaugural address of Mr. Schmidt at the 43rd Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Dec. 2, 1954.

Government Competition With Private Enterprise

By DEVEREUX C. JOSEPHS*

Chairman of the Board,
New York Life Insurance Company

Prominent insurance executive and former Vice-President of the IBA urges a fresh look be taken of the relationships between government and business, and that steps be taken to resist government encroachment in those areas where business can do the most effective job. Regarding government's relation with business and private affairs, he favors allowing private enterprise as much free choice as permissible with public interest. Cites government's competition with life insurance companies both in providing security and in supplying funds for the country's economy. Concludes co-existence between government operations and private activities is a central problem of our time.

I am delighted to be back at an Investment Bankers Association Convention. My last appearance was 15 years ago, which approaches the span of absence made famous by Rip Van Winkle. Then, as one of your vice-presidents, I looked at the life insurance companies and wondered what went on inside their big buildings and how the people who were responsible for so much money actually felt. Let me hasten to add that I have found nothing nearly as mysterious as my Dutch prototype found amid his particular set of mountainous ravines along the Hudson. Life insurance officers don't play bowls with ex-investment bankers, but seem to have the same administrative problems, the same personnel problems, and the same variety of decisions to make as are familiar to all of you.

Devereux C. Josephs

Consequently my talk this morning will be a few observations about the business I now follow in the light of my previous experience in your business. I will talk in very general terms about two of our important functions, then how they come in contact with government activities and lastly what we ought to do about it.

My original connections with life insurance companies were two-fold and they were made just after I left college. I became a policyholder, and I sold securities to them. As a salesman I could guess about the investment procedures, but I certainly had no knowledge of what occupied nine-tenths of the employees of a life insurance company. The keeping of accounts, the vital statistics, payment of claims, investigation of frauds, determination of risks—these were all matters which didn't interest me. I was aware of only one immutable custom—receipt of my premium notices always coincided with a shrunken bank account.

I am going to assume that you like myself have had this same limited knowledge of our business. I shall further assume that most of you know how to do business with us. Lest this not be the case, let me hasten to play the role of a program peddler and hawk the phamphlet I have here in my hand. It lists the securities of New York Life and, in the manner of a football program, gives the names and pictures of all our financial officers. But here the similarity ends. We don't charge for it; we send it on request. Not because we are kindly, but because we get a number of fine ideas from the recipients.

If, then, you know a good deal about one side of our affairs, let me for a few minutes this morning describe (in aspects which may not be wholly familiar to you) the two intrinsic characteristics of life insurance and relate them to the economy which surrounds our businesses and our individual lives.

*An address by Mr. Josephs before the 43rd Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 30, 1954.

Dual Operation of Insurance Companies

Insurance companies have a dual operation. Through the almost universal level premium formula under which people buy life insurance, and to a lesser extent through the public's purchase of annuities, insurance companies accumulate year-by-year the sums which they calculate will eventually be paid out in performance of their contracts. Let us call this the savings and protection part of life insurance. The individual puts savings aside in such a way that he can alleviate calamities. The more unexpected the calamity, the greater, in general, are the savings.

Now, while the companies are accumulating this money against the time when, on the average, it will be called for, it can be invested. Through the good offices of all of you, it is put to work to advance our capitalistic system. This is the second—the financial portion—of our operation.

I don't know how I can explain the two fundamentals of our activity more simply than this. Over a period of time many refinements have been developed. The forms of insurance have been improved. Much pioneering has been done in the area of sales and in the variety of settlements open to beneficiaries. But there still remain unchanged the two essentials. First, we provide a means of absorbing in a large group the shock of the single, unexpected calamity, so that it becomes bearable to the family of an individual. Then, as a by-product of the self-denial entailed in paying premiums — a voluntary self-denial—we are able to perform our other function, the supplying of capital to our voluntary enterprise system. Like a great circulating system of irrigation, you and we collect small savings. Their aggregate becomes productive capital which you and we channel to areas where it will multiply the harvest, and so enrich the land whence the savings came.

Although originated in England, life insurance has really flourished only in North America. Ninety million Americans are now covered by insurance. In four out of five families there is at least one insured member. No other part of the world approaches the United States and Canada in the amount of insurance carried. One illustration is enough: life insurance outstanding averages about $1,900 per capita in North America; the United Kingdom and Sweden come next with about $400 per capita. Far behind is such an advanced country as France with $75 per capita.

Growth of Life Insurance

What is more, life insurance is growing in this country at a very rapid—a geometric — rate. The amount of insurance outstanding has more than doubled in every decade during the past 50 years, and at a more or less even rate; except for a distortion caused by the depression of the '30s.

While the steady current growth of sales and the record of the past 50 years has been great, we in the business cannot be too proud of the results. To be sure, our insurance in force has tripled from $100 billion to over $300 billion since 1929. It has, however, actually grown no faster than the economy.

This lack of progress is confirmed by another statistic. In 1929 total premium income—the sum which the people of the United States paid for life insurance protection—represented $3¼ billion or 4.1% of their spendable income. In 1953 the premiums paid to life insurance companies came to about $9 billion, and this is less than the 4.1%—to be exact 3.6%. Thus, we have made no progress in a market which all tests have shown to be far from saturated.

This lack of progress is discouraging to us in the insurance business because we have a product that meets a basic need and has been acceptible to the American public. We have an energetic sales force and a good reputation for the performance of our promises. Nevertheless, we have been able only to hold our own against new claimants for the consumer's dollar; such as television, automobile, radio, and other leisure expenses. And this, mind you, during a period when the hunt for security has been uppermost in the minds of most of the people in the nation!

Government as a Competitor in Life Insurance

One important answer to this anomaly lies in the fact that the Government has become our most significant competitor as a purveyor of protection. The Government is able to do certain things in this field which can never be done by private enterprise. For instance, it is able to levy the cost in ways much more seductive and misleading than the uncompromising figures on the bottom of a New York Life premium notice. No wonder that many an individual has been tempted to believe that the search for security ends with a Congressman rather than an insurance agent.

The truth is both the Government and we are needed. Much as I put my trust in individual enterprise, I believe that our complicated modern system relies on certain broad common denominators which only the central government can manage. Call it social security, unemployment insurance, or old age benefits—these are all parts of the emerging needs of a society of increasing industrialization.

Our industrial ingenuity has

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The Next Two Years of the Eisenhower Regime

By HON. PRESCOTT BUSH*
U. S. Senator from Connecticut

After commenting on the move to restore the business of securities underwriting to the commercial banks and the practice of private placement of securities with insurance companies, Senator Bush, speaking extemporaneously, contrasts the political philosophies of the Democratic and Republican Parties. Says left-wing Democrats, who control the Party, will seek a stronger Federal Government, but they also will seek to balance the budget. Forecasts little in the way of tax reduction from now on, and sees a tough problem in farm surpluses. Upholds policy in restricting Federal power projects, and ends talk in praise of President Eisenhower.

In view of the fact that the Democrats will be in control of both the Senate and the House, I am going to talk very generally along that line. But before I do so, I did want to touch a little bit on a matter of interest to this Association, and to the dealers and investment bankers of the country, because I remember very well in 1933 and 1934 some of the heartaches that we went through in the financial community.

Prescott Bush

I had been a member of a firm for some years which was then engaged in both commercial banking and in investment banking. And I remember that when the Banking Act of 1933 came along, which said, "You have got to divide commercial banking and investment banking," we thought that was going to be the end of the world. And so did a lot of banks who had found the investment banking industry a very interesting and profitable one. There was a great deal of apprehension about that.

But as one looks back from the vantage point of twenty years later, I think there are very few people that I have met who would want to go back to the old business of having the commercial banks in the underwriting business, directly and indirectly, as they were prior to that time.

I remember that our firm was divided in two. The securities underwriting end of it was merged with what was then the National City Company organization to form Harriman, Ripley; and my firm, which was a very small bank, went on to develop the commercial banking business. And both of our firms did well enough so that we were all very happy. That was after we got through the first few years of the depression.

Underwriting by Commercial Banks

Well, I understand that there is a move afoot now to further increase the authority of the commercial banks in connection with the underwriting business. In other words, the business of underwriting revenue bonds is an issue before this industry and before the banking community. Therefore, I believe, it will be an issue before the 84th Session of Congress.

I have not studied that issue very closely, but I do feel that I would like to comment on it here very briefly. I recall the dire prophecies that were made back in 1934; that a bank couldn't get along without the underwriting business. But, of course, they have gotten along without the underwritting business, except for their participation in Government obligations. I feel if we are going to further increase the underwriting authority of banks—their legal authority — the Congress is going to have to be shown a case of need; that it is necessary in the National interest that that be done; that it is necessary in the best interests of American business and American commerce that that be done.

I think this Investment Underwriting Fraternity, if we can call it that, is a very important organization or group of organizations in connection with our whole industrial and commercial picture in the United States, and it should be allowed to enjoy a market, so to speak, which is enough of a market to attract and hold large pools of capital in the investment underwriting business. We need that to do the equity financing that has to be done from time to time in this country. In order to hold it available for doing large equity jobs, it has to have day-to-day clews through the issuance of big bond issues and that sort of thing. So, I would personally want to examine this move as to whether it would be a chipping-away at the market that has, in the last twenty years, been enjoyed by the investment banking fraternity.

The insurance companies have come along and gotten into the business in a rather big way.

When I was on the Board of the Prudential Insurance Company, and the year before I retired, I remember two issues — one was for $150 million of International Business Machines, and another was $150 million of Union Carbide. In each case, the company took the whole thing. And, of course, that is business that the investment bankers would probably otherwise have had. But the investment bankers have survived those inroads into their business and their markets by the insurance companies.

I don't disapprove of that, but I do say that when we come to go further than that, and take a move which is a step backward and to put the banks back into a position of underwriting revenue bonds, it is not very much of a step from that to corporate bonds — high-grade corporate bonds, which probably are a lot better bonds than some of the revenue bonds. As we know, we have had a good many failures in revenue bonds over the years past.

So I say that it is an issue that will have to be examined, I am sure, by the Congress very closely; and especially because the Democrats will be in control of the Congress, and Sam Rayburn will have a lot to say about what goes on in the House. And Sam Rayburn was the one who had a very special interest in the legislation of 1934. Incidentally—and I say this with all respect to him —he is sincerely opposed to our efforts to increase the exemption from SEC registration from $300,000 up to $500,000. It was because Mr. Rayburn was opposed to that, frankly, that we couldn't get that through the House, although on our side, Senator Maybank, the ranking Democrat on our Committee, and Senator Capehart, were both in favor of increasing that to $750,000.

So I say, in conclusion on that point, that the Congress will have to examine this, I am sure, on a basis of the past, and on the basis of what is the real need for American industry and the whole National interest. That can be a very interesting question, and I

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*Stenographic transcript of a talk by Senator Bush at the 43rd Annual Convention of the Investment Bankers of America, Hollywood, Florida, Nov. 29, 1954.

Federal Price-Fixing Threatens America's Gas Supply

By HINES H. BAKER*
President, Humble Oil & Refining Company

Calling attention to the Phillips Petroleum case in which the Supreme Court upheld the right of the Federal Power Commission to regulate and fix prices of natural gas in interstate commerce, Mr. Baker points out that natural gas is a commodity and not a public service, and, therefore, like other commodities, its price should be determined by competitive and market conditions. Says, unlike public utilities, natural gas production is a risky venture and, if its price is fixed, it will deter investment and thus reduce the gas supply. Contends price regulation of natural gas is a step toward socialization of industry, and big problem facing gas industry today is meeting consumers' demand.

Hines H. Baker

The natural gas producing business is in a state of chaos, and other branches of the gas business and the American gas consumers are vitally concerned because of the recent decision of the Supreme Court in the **Phillips** case.[1] The court held that the Federal Power Commission can regulate or fix the price of gas in an interstate sale by a producer to a natural gas company for subsequent resale. The subject is therefore timely. The American people need to understand the operation of this business, the function it performs, and the long-range consequences of such price-fixing upon the economy and upon natural gas consumers. There are some simple economic facts and principles involved and forces at play that cannot be ignored.

The investment banker has a direct interest in the subject, not alone as a citizen but because he represents or finances gas consumers and all groups of investors involved in the supply of gas to consumers. He finances producers, interstate transmission lines, distributors, industrial consumers, and the manufacturers of equipment for all these and for household consumers as well. He and his clients have a direct stake in the issue. As an analyst and student of business and the operations of our economy, the investment banker is unusually well equipped to weigh the subject also from the standpoint of the public interest and to arrive at a sound conclusion. He is likewise in excellent position to shape public opinion. The opportunity to discuss the subject with this group is welcomed.

*An address by Mr. Baker at the 43rd Annual Convention of the Investment Bankers Association of America, Hollywood, Florida, Dec. 1, 1954.

How Natural Gas Industry Operates

Let us see, first, how the natural gas industry operates to supply the American consumer with gas. The business is divided into three distinct branches: the producing branch, the transmission lines, and the distributing companies. At one end is the consumer; at the other end is the producer. In between are the service groups engaged in transmission and distribution.

Gas distribution and interstate transmission are public utilities by nature and are so recognized and regulated by legislative enactment. The states have regulated gas distribution as a public utility function for many years. This is necessary both for the consumer and the distributor. The business has a natural tendency toward monopoly. It is not feasible to have several gas companies laying parallel lines through the streets of a city. The investment is too great; and the burden in rates is too heavy on the consumer. Hence, the distributor operates under a franchise which limits or prevents competition by other distributors; he has the power to condemn a right-of-way for his lines; he dedicates his property to a public use; he holds himself out to serve all members of the public in the area served. Consumers look to him alone for gas supply. Under these conditions, once his lines are laid and his business established, his risks are reduced to a minimum. He has an assured outlet and return, and is protected from competition from other gas distributors. The public regulatory body fixes his rates at a figure which will yield him a fair and reasonable return on his investment. In turn, the public is protected through regulation from exorbitant rates that his monopoly might otherwise permit him to charge.

1 *Phillips Petroleum Co. vs. State of Wisconsin et al,* 347 U. S. 672.

This is accepted American procedure.

The interstate transmission lines are likewise public utilities by nature and are so recognized and regulated under the Natural Gas Act passed by Congress in 1938. They operate under certificates of public convenience and necessity issued by the Federal Power Commission which restrict competition, give monopoly privileges, and stabilize their business by providing assured outlets. With these outlets, they have their rates fixed by the Commission to yield a fair and reasonable return on the investment. Their risks are reduced to a minimum.

Natural Gas, a Commodity

While under the American economic and governmental system public utilities and their rates and charges are regulated by law, it is equally true that except as a war measure the business of producing commodities and the producers' prices are not so regulated. Here the law requires competition, not monopoly. The producer's price is determined by free competition in the market place as a result of the operation of the economic forces of supply and demand.

The business of producing natural gas has none of the characteristics of a public utility. It is highly competitive. The field is open to all comers. There are no franchises, no government restriction of competition, no natural tendencies to monopoly. While production is primarily from six southwestern states, natural gas is produced over a wide expanse in many states with thousands of producers operating in widely scattered producing fields. There is no high concentration of supplies in the hands of a few producers. For example, in Texas which is the largest producing state, according to the figures of the State Comptroller for 1951, the 15 largest producers supplied less than 48% of the production and the largest producer supplied only 8.7%. The percentages for the 15 largest producers ranged from 1.8% to 8.7%. The report of the Tennessee Gas Transmission Company for January, 1954, shows that it is purchasing gas from 102 suppliers in East Texas and along the Texas Gulf Coast, the largest supplying about 19% and the largest 15 about 75%. Compared with many industries in the producing and manufacturing business, the concentration is low in the natural gas producing business.

Natural Gas Production a Risky Venture

Furthermore, the gas producing branch in contrast with the public utility transmission and distribution branches involves a highly risk-taking venture. Its continued success depends on exploration for new reserves. These must be discovered and developed to replace the gas produced and marketed. In the search for new fields in the United States, only one wildcat exploratory well in nine finds any oil or gas. Of all wells drilled, 40% are dry holes. The government or the Federal Power Commission cannot guarantee the exploring producer a return even of his capital investment. After production is secured, he must compete with the great number of other gas producers for markets, and in addition with oil and coal which likewise are pressing for customers in the energy fuels market.

It is the purpose of the natural gas industry to supply the demand of the consuming public for gas as a fuel. The growth in such demand since the war has been phenomenal. In 1946, gas supplied 14.5% of the mineral energy consumed in the United States; in 1953, it supplied 23.7%. The report of the American Gas Association shows more than 21,000,000 natural gas customers at the end of March of this year. Many potential customers are now on the waiting lists; and many more will come with the growth of population and industries and the construction of facilities to unserved areas. In a special report in "Business Week" for Sept. 26, 1953, it was stated that in Chicago alone over 135,000 names were on file from consumers who wanted natural gas heating. This problem of supplying the demand over the long pull is a serious one when it is realized that since 1945, the demand for gas has more than doubled while proved reserves have increased only 43%. Chart I discloses the relationship graphically. By 1953, proved reserves were near a level 23 times the annual rate of consumption. If the same rate of growth in demand and in proved reserves should continue, proved reserves by 1959 would be only about 17 times the annual rate of consumption. To find and produce gas at the rate required in the future to meet a growing demand will require strong incentives to induce the required investment in

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Pattern of Canadian Investment and Trade

By HON. ARNOLD HEENEY*
Canadian Ambassador to the United States

Ambassador Heeney, in telling of the development of Canadian resources since the end of the war, points out that in spite of the exciting accomplishments, most Canadians are of a highly sober race. Says no country has been able to call on the services of more skilled and seasoned experts in financial matters than has been done in Canada. Stresses accumulation of Canadian capital through savings, and its investment both at home and abroad. Cites statistics of recent U. S. investments in Canada. Warns a more liberal U. S. import policy is needed if close trade and financial relations between Canada and the United States are to continue.

A. D. P. Heeney

In the exuberant atmosphere of this part of the United States, a speaker might perhaps be forgiven some excess of enthusiasm—even exaggeration. The temptation for me is almost irresistible, not only because I am in Florida for the first time, but because I am going to speak to you about Canada. The story of the development of Canadian resources since the end of the war has been so studded with dramatic events that its telling seems almost to compel some excitement of tone. At practically the same moment in 1947, for example, discoveries were made at widely separated points in Canada of large deposits of petroleum and iron ore. These, when fully exploited, will, I am told, make Canada independent of outside sources of supply in these two basic commodities. There has been at least equal drama in the creation of what will be, when it is completed, the largest aluminium plant in the world—and this up the coast of British Columbia at a distance of almost 500 miles from the nearest settled community. The frontier of Canada has been rolled further and further north by these events and by the hunt that is still in its early stages for the most precious metal of all—uranium.

But with these few reminders of how rapid has been the pace of Canada's economic development during the past ten years, I must curb my enthusiasm. If I were to continue in that vein, I am afraid that you might find a visit to Canada disappointing. Even as you were being driven in from the airport at Montreal or Toronto along miles of modest homes (not all of them with television masts), you might begin to suspect that you had been misled. You might guess—and guess right—that few of these people are in any frenzy of excitement over the latest moves in uranium stocks. You would not find the air laden with speculative fever. The year is 1954—not 1929. There is no delirious search for the Black Tulip. Our flowers are of the common or garden variety. And if the garden we have to cultivate covers half a continent, Canadians see no reason why they should not go about the task in a matter of fact way. If you were to lunch in one of the solemn clubs where your St. James' or Bay Street colleagues gather, you would, I think, soon observe — having already noted that neither of these streets of ours is paved with gold—that, for the most part, the men about you seemed cautious and reserved, perhaps even rather staid.

Canadians—A Sober Lot

The fact is that in spite of the exciting developments that are taking place in Canada, most Canadians consider themselves to be members of a highly sober race. As is perhaps natural with a young and growing country, we in Canada have, in recent years, indulged in a good deal of self-questioning. And all the analysts who have applied their talents to examining our society seem agreed that we lack something of colour, what our French-speaking compatriots call "panache". Notwithstanding the scarlet coats of the Mounties, our public ceremonies, although certainly not lacking in dignity and form, would seem pretty modest and muted to a Hollywood producer. We are shy of display and of extremes. We may deny the criticism that we are stifled with respectability. But we must, I think admit that something of the chill rigour of our northern skies tinctures our bloodstream as well and tempers it to sobriety.

That characteristic of sober good sense is, I believe, reflected in the conduct of our national affairs. We have, for example, accepted with remarkably little fuss or controversy, the responsibility to share in the collective defense of the free world. I sometimes think that, if the substantial overseas commitments that Canada has assumed in recent years had caused more internal difficulty and debate, it would perhaps be more widely known in this country that we have a complete air division — twelve squadrons of front-line jet fighters—stationed in Europe as well as an infantry brigade group and that on the other side of the world we contributed another brigade group to the fighting in Korea.

In a sense I suppose that the Canadian Ambassador in Washington represents Canadians of all parties. It would, therefore, be inappropriate for me to suggest that Canada has been governed soberly and responsibly. But since my own experience in the Canadian Government Service has not been primarily with financial affairs, I think I might be permitted to express the opinion that no country has been able to call on the services of more skilled and seasoned experts than we have had in the Department of Finance, the Bank of Canada and the other financial agencies of the government. They have been ready to assess the value of new economic doctrine and, I think it may be said, have made their own original contributions as well. But, at the same time, they have been conservative in placing high importance on monetary and fiscal methods of influencing the economy and in their conviction that essential considerations of human welfare have not made obsolete the major principles of the classical economists.

Canadian Savings

The task of our financial officials has been made easier because of some of the habits of our people. Last year Canadians saved more than 8% of their disposable personal income; and total national savings amounted to approximately 20% of the gross national product. As a result, we have been able to finance from domestic sources some 75% both of the net and gross capital formation in Canada—only the remaining 25% being financed directly from non-resident sources. At the same time, of course, Cana-

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*An address by Ambassador Heeney before the 43rd Annual Convention of The Investment Bankers Association of America, Hollywood, Florida, Dec. 2, 1954.

Recent Developments in Municipal Field

Orlando S. Brewer, Chairman of Municipal Securities Committee, reviews such subjects as: (1) use of photo offset copies of approving legal opinions; (2) the enactment of a Uniform Commercial Code designating securities issued by a government or governmental agency or unit, including those payable from a specific fund, as negotiable instruments; (3) simplification of execution and signing of public securities, and (4) the elimination or discouragement of "nuisance suits." Calls attention to continued large volume of new municipal issues, with slightly lower income yield since October, 1953. Lists court decisions relating to municipals.

Orlando S. Brewer

At the opening session of the Annual Convention of the Investment Bankers Association of America in Hollywood, Florida, on November 28, Orlando S. Brewer, of Phelps, Fenn & Co., New York City, Chairman of the Committee on Municipal Securities, released the report of his committee covering the developments in this field of investment during the last 12 months.

The full text of the report follows:

Interim Reports of this Committee were submitted to our Board of Governors at its Winter Meeting in February and at its Spring Meeting in May. In this, our Annual Report for the current year, we will outline some of the subjects of particular interest to the municipal field.

Photo Offset Copies of Approving Legal Opinions

On May 27, this year, we sent to our membership copy of a resolution concerning legal opinions covering municipal issues which resolution had been adopted by our Board of Governors on May 20, 1954. It is self-explanatory, reading:

WHEREAS, The Municipal Forum of New York, recognizing the time, cost and possible errors involved in preparing copies of opinions approving the legality of municipal bonds, recommends the use of photo offsets of such opinions.

WHEREAS, the Municipal Securities Committee of our Association has carefully studied the procedure recommended by The Municipal Forum of New York respecting copies of such opinions, and

WHEREAS, it finds that the recommended procedure would assure accuracy, be legally effective and result in substantial saving in time and cost in preparing such copies, now

THEREFORE, BE IT RESOLVED, That the Board of Governors of the Investment Bankers Association of America recommends to its members and to dealers generally the use and acceptance of photo offsets of approving legal opinions or copies prepared through like processes where such reproductions have the approval of attorneys whose opinions are recognized to be nationally marketable.

Since this action by the Board there has been a general acceptance of the procedure. Thousands of dollars and man hours will be saved in the future in the cost of preparing and furnishing dealers and investors copies of approving legal opinions. Further, accuracy is assured in the preparation of such opinions. Great credit should be given to the Municipal Forum of New York for its fine work in advancing the use of photo offset copies of approving legal opinions.

In addition to the steps taken in regard to photo offsets of legal opinions we have also previously reported concerning the proposed Uniform Commercial Code, nuisance suits, and simplification in the execution of public securities—all being of fundamental importance to the municipal business.

Uniform Commercial Code

It is in the interest of both investors in and issuers of state and municipal securities that legislative enactment of the Code clearly designate that securities issued by a government or governmental agency or unit, including those payable from a particular fund, be negotiable instruments. Initial distribution and secondary markets will also benefit.

The Pennsylvania Legislature enacted this Code last year. Legislatures of other states have not as yet done so although studies of it are being made by legislative bodies of several of the states. This coming year will be one in which almost all of the states will have legislative sessions, either regular or special.

Further reference to the subject at this time is accordingly desirable because the above provision clearly designating negotiability of state and municipal bonds was not included in the printed volume of the proposed Code but appears in the printed supplement which may easily be overlooked, particularly in view of the size of the legislation involved. Accordingly, it is highly essential that close watch be kept upon legislative introductions respecting this Code to *make certain that the negotiability feature is included.*

Liaison Committees Municipal Section of the ABA and the IBA

As will be recalled, about two years ago in collaboration with the Municipal Law Section of the American Bar Association and at the suggestion of Mr. Harold Shefelman, then Chairman of the Municipal Law Section of the ABA, we appointed a Liaison Committee and the Municipal Law Section of the ABA did likewise. These Committees study problems of mutual interest and concern to the two associations.

Among the several subjects considered by these Liaison Committees two were recommended for immediate action. Each represents important phases of municipal financing and involves legislative enactment by the states. Reference to them follows:

The Execution of Public Securities

As stated in our Interim Report of last May, the substantial growth in number and size of municipal issues has brought to the front the problem of time necessary for the number of manual signatures required on the bonds and the resultant delay in delivery. Sometimes as many as four manual signatures have to be placed upon the bonds.

When issues run well up into the millions, and at times hundreds of millions, this becomes a tremendous factor. Our thoughts in the matter are only in respect to the larger issues, $10 million and more. Mr. Harold Shefelman, then Chairman of the Municipal Law Section of the American Bar Association, requested their Liaison Committee to draft a bill intended to relieve this situation and when approved by our Association to request the Committee on Uniform State Laws and perhaps other associations to bring it to the attention of the legislatures of the various states.

This subject was discussed at our open meeting at Hollywood last year and again at our May meeting. It was unanimously resolved to concur in the proposal and assist in its advancement through the Commissioners on Uniform State Laws. Legislative action by our states will obviously take considerable time but the matter is of sufficient importance to merit our prompt and continued effort.

The proposed form of the act being considered is brief and accordingly may be set forth here. It follows:

"Section 1. Public securities heretofore or hereafter authorized to be issued and delivered at any one time in a principal amount of Ten Million Dollars ($10,000,000) or more may be executed with an engraved, imprinted, stamped or otherwise reproduced facsimile of any signature, seal or other means of authentication, certification, or endorsement required or permitted to be recorded thereon, if so authorized by the Board, body or officer empowered by law to authorize the issuance of such securities, provided that at least one signature required or permitted to be placed thereon shall be manually subscribed.

"Section 2. The words 'public securities' as used herein shall mean bonds, notes or other obligations for the payment of money issued by this State, by its political subdivisions, or by any department, agency or other instrumentality of this State or of any of its political subdivisions.

"Section 3. This Act shall not repeal any other law authorizing the execution of public securities with facsimile signatures or seals."

At the Annual Meeting of the American Bar Association on Aug. 17 the following resolution on the

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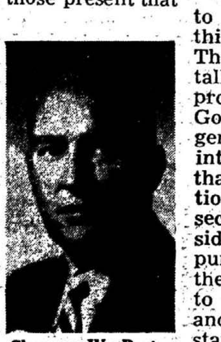
Basic Facts in Dixon-Yates Controversy

The IBA Public Service Securities Committee, under the Chairmanship of Clarence W. Bartow, reviews in detail the Dixon-Yates-TVA Contract controversy, and condemns the affair as "a violent partisan conflict." Reports that in first nine months of 1954 total financing by the electric utility industry aggregated about $2 billion, or approximately same as in the same period of previous year. Points out dividend payments by electric utilities are at record levels.

Clarence W. Bartow of Drexel & Company, New York, Chairman of the Public Service Securities Committee of the Investment Bankers Association, presented its annual report to the 43rd Convention held at Hollwood, Florida on Dec. 2.

The text of the report follows:


Clarence W. Bartow

At the Committee meeting at White Sulphur Springs last May, it was suggested and unanimously agreed to by all those present that our annual Convention committee report should reflect some of the problems facing particular geographical areas of the country. Certain of those present kindly agreed to cooperate in the preparation of a report based on such considerations. Rightly or wrongly, the preparation of our reports falls upon the Committee Chairman and unfortunately he has been out of the country for several weeks just prior to the Convention. Accordingly, it has not been possible to prepare a report along the lines discussed at White Sulphur. The Chairman regrets deeply his inability to take advantage of the aid and help of certain Committee members and apologizes also for the brevity of this report. However, he does want to record with thanks the unfailing help and advice of Jerome Katzin of Kuhn, Loeb & Co. in the preparation of the two reports which this Committee has presented.

There are many areas of the utility industry which merit our attention but we cannot cover all of them in a brief report. However, the public power policy of the Administration has been evolving slowly and is perhaps focused in the public mind on the Dixon-Yates controversy which continues to rage in the highest levels of the Administration and in the public press. We will come to a more detailed discussion of this matter later in this report. There has been a good deal of talk in the last year or so on the pros and cons of the sale by the Government of some of its electric generating properties to private interests. It must be remembered that in most instances the generation of electric energy was a secondary or supplemental consideration and that the primary purpose of dam construction by the Federal Government has been to provide for vast reclamation and irrigation projects. The interstate nature of many of these installations and their indissoluble connection with the land improvement program, makes it highly impractical to separate the two dedications as privately owned companies are not particularly interested in the land improvement end of the program.

In any event, we have it from Ralph Tudor, Under Secretary of the Interior, that the "For Sale" sign is not being put on any of the Government's large power projects—except in the case of a State which might come in with a concrete proposal to purchase some intra-state facility. If such an eventuality transpired, the ownership would still remain in public hands.

Dixon-Yates

Not since the 1930's has the country been stirred by a public utility question as by the Dixon-Yates controversy. In the highly charged atmosphere of an election year, it has been most difficult to locate the real issues and to form an objective opinion Here, then, is an attempt at a dispassionate presentation of the basic facts involved. It will be seen that the real issues involved are few, but fundamental, and that the attempt to resolve them in the political arena has led only to obfuscation and confusion.

With the recent completion of unit No. 6 at its Shawnee steam plant, the system capacity of the Tennessee Valley Authority increased to 6,619,185 kw. Of this, steam now represents 3,137,250 kw., or 48.4%. This percentage will continue to increase as additional T. V. A. steam plants, already approved by the Congress and under construction, come on the line. T. V. A. has indeed wandered far from its original constitutional purpose of harnessing and developing the turbulent waters of the Tennessee River, although its defenders point out that a large part of its output—perhaps as much as 30% — is dedicated to the A. E. C. program and that this steam is needed to firm up its hydro production.

Like the rest of the nation, the area served by T. V. A. since the war has required an ever increasing supply of electric power. To help fill that need the T. V. A. projected construction of a $100,000,000 steam plant at Fulton, Tennessee, to serve the load center at Memphis. Despite a clear showing of impending power shortages, the Congress, while still under Democratic control, twice refused appropriations to construct the Fulton plant.

In the meantime, to supply power to the new atomic energy plant at Paducah, Kentucky, T. V. A. constructed the Shawnee steam station. This plant is located on the Ohio River at the northern boundary of Kentucky, some distance from the service area of T. V. A. although it is inter-connected with the system.

The balance of the power for the Paducah atomic plant is being supplied by Electric Energy Inc., a generating company formed by five private utility systems for that purpose. Credit for initiating this pioneering venture in private enterprise is generally given to A. E. C.'s Commissioner Thomas Murray, who encouraged the executives of these companies, under the leadership of W. A. McAfee of the Union Electric Company, to join together to provide the huge blocks of power which would be needed. Initially, these companies offered to provide the full requirements at Paducah. The T. V. A. made a similar proposal. The result was a compromise and the arrangement that each supply part.

The pattern of Electric Energy Inc. was followed when 15 private companies joined to form the Ohio Valley Electric Company to supply all the power requirements for the larger atomic plant going up at Portsmouth, Ohio.

Contracts for both these plants were negotiated with the A. E. C. without controversy or public conflict during the Truman Administration. Each contract assures the Government of a firm supply of power for the contract period at a price designed to amortize the cost of the plants during the life of the contracts and to provide a fair return for the relatively small equity investment of the constituent companies. The Government may terminate the contracts under certain conditions. The constituent companies undertake to supply interim and back-up power, and are entitled to any surplus power from the plants. They must also absorb the plants' output in the event of termination.

The Securities and Exchange Commission found that these arrangements fulfilled an essential national purpose and exempted them from the Holding Company Act whose provisions, if strictly applied, might not have permitted all of the participating companies to join and certainly would not have permitted the preponderant amount of debt in their capital structures.

With the Congressional impasse over appropriations for the Fulton plant, and in line with the present Administration's program for minimizing the role of the Federal Government in the power picture where local agencies (either public, private, or in partnership) are capable of providing service, President Eisenhowed acted to secure the needed power for the Memphis area. Two private utility systems, Middle South Utilities and The Southern Company, both presently interconnected with T. V. A. and exchanging power with it, came forward with a plan to construct a 600,000 kw. generating plant at West Memphis, Arkansas. For this purpose, they organized the Mississippi River Generating Company with Middle South owning 79% of its stock and Southern Company the remaining 21%. They proposed to make a power contract with the A. E. C. which would in substance replace part of the energy being supplied by T. V. A.'s Shawnee station to the Paducah installation. This would release that amount of energy for use elsewhere in the T. V. A. system.

Common sense dictated that the plant be constructed near the load center at Memphis so as to save transmission costs. Such a displacement of power arrangement is of course a common engineering practice in the electrical industry. The net effect would be that the Federal Government, which had already financed the Shawnee station for T. V. A.,

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Research and Statistics Committee's Final Report

After ten years, the Committee, headed by W. Yost Fulton as Chairman, winds up its activities by reviewing its work and accomplishments in increasing and expanding information about securities and the securities industry. Calls attention to survey made by the National Bureau of Economic Research and the studies of the Wharton School relating to over-the-counter security markets. Approves proposal to appoint a staff member of the association to act as librarian and statistician and distribute information to the association's members.

On Nov. 30 at the 43rd Annual Convention of the Investment Bankers Association of America, held in Hollywood, Fla., the final report of the Research and Statistics Committee of the Association was presented through its Chairman, W. Yost Fulton, of Fulton, Reid & Co., Cleveland, Ohio. This committee has been functioning for the last 10 years, having for its purpose the encouragement and fostering of research in the capital and the securities markets.


W. Yost Fulton

The text of the report follows:

Our Committee has promised you a final report for a number of years. You are not to be blamed if you are not yet ready to believe that this is that report. However, that is the case. Your Committee has functioned, if our quiet approval and support of what has been going on can be called "functioning," for some 10 years. The purpose of the Committee was to encourage and foster research in the capital and securities markets, to fill a void that existed and handicapped us as an industry at every turn. It is hard to believe, looking on how much we know about our industry now or how much of knowledge is available to us, how little of such knowledge was available to us a short 10 years ago.

In 1945, upon a request by your Committee and a corresponding committee of the National Association of Securities Dealers, the National Bureau of Economic Research made a survey of research needed and indicated in our area. This survey pointed up an almost blank of work that had been done and almost a complete need for work. A year ago last spring, in anticipating this report, you were asked to contribute to a resurvey of research in the capital and securities markets by the National Bureau, and you made available to the Bureau, in cooperation with the National Association of Securities Dealers, a grant for that purpose. The Governors have been given a copy of the printed report that results from that grant. It is our understanding that a copy of this report is to be mailed to every member of the Association.

This report is in three parts. The first part is a comprehensive bioliography of the research of various kinds in this field that has been completed and is available for reference and study. This is an impressive list. It should be in the library of every firm in the Association, and should be read by every partner of every firm.

The second portion of that report is a suggestion as to what of the work that has been done should be continued to get the maximum benefit from it. This section deserves careful scrutiny by your Executive Committee and by you as a board.

The third section of the report is an outline of the research that in the opinion of the National Bureau of Economic Research still needs to be done in our area. Our Committee is willing to endorse that recommendation in its entirety. This does not mean that we urge you to do all of it immediately. We think you should be cognizant of the need. We think as you study this section you will agree that that need exists, and that our industry would be benefited by any or all of that research that is carefully done.

A second part of our report involves another document. It is the eighth monograph of the Wharton School study of over-the-counter markets. This monograph was prepared by Dr. Friend, Mr. Hamburg and Mr. Schorr and refers to, "Pricing and Price Differentials on Over-the-Counter Markets." This report has been carefully scrutinized by the planning committee. It completes the statistical portion of the Wharton studies. We must confess that in spite of our enthusiasm for the work that the Wharton staff has done, in spite of our assurance that this work will be of extreme importance to us in our work (in fact we are advised again and again that it has already been of great assistance to us), we still are somewhat disappointed in that the staff was not able to come up with some conclusions, however vague, in the area of determining what should and should not be listed—in other words, of the characteristics of stocks that seem to assure them a satisfactory listed market or a more appropriate Over-the-Counter Market. We feel that this study should be made. All of the information necessary for such a study is available in the Wharton work, and perhaps one of these days we can see it put to that use. However, the great amount of information that has been accumulated makes the Wharton monographs monumental in their effect and value. We believe if we are equipped to use them, that they will be of inestimable help to us in many ways as time goes on.

We quote from a letter received from the Wharton staff, as follows:

"We feel rather strongly that means should be found for compiling current data on the comparative activity in the over-the-counter and exchange markets, and on type of securities, customers and broker-dealer firms involved. This should be done, we feel, on at least an annual basis.

"Larger scale surveys probably should be conducted once every five years, let us say, to bring up-to-date the material on the characteristics of transactions in the Over-the-Counter Market and the work on pricing and price differentials. There is a great deal to be said for obtaining the latter material on a current basis. This could be used to overcome a good deal of prejudice about the over-the-counter markets and as a major tool for self-regulation.

"We also feel rather strongly that a great deal can be gained by carrying on the survey started by Dr. Wright Hoffman. Since his was an experimental and introductory effort, the work would need to be carried much further and perhaps in other directions, but current material should be obtained to provide insight into the reasons for customer or broker-dealer preferences for effecting transactions in the over-the-counter and exchange markets. We would include all classes of customers, not just financial institutions, and all types of market activity. This too might be done on a periodic basis."

As a final portion of this report, our Committee wishes to endorse an action recently taken by your Executive Committee. We believe that the amount of information now available not only justifies but makes necessary a staff member of our Association, whether a man or a woman, who could act as a librarian and statistician, to be constantly aware of work that is being done, to keep our library up-to-date on all research available, and to draw from that library information that individuals within the Association can call upon from time to time.

We want to make a further recommendation that while this Committee has rounded out its purpose, this does not mean that the Association's attention to research should diminish in any respect—rather that it should increase. There is much still to be known by all of us in the industry, and much more will be demanded of us in the days to come than we have been called upon to know in the days gone by.

We urge that the work of this Committee be part of the staff work of the Association from hereon. We feel that it is tied into and vies in importance with the legislative work of the staff. Perhaps in addition to the statistician-librarian that we have mentioned, it will be well to retain the services of an outstanding economist to advise us on our attitude toward research and in ways that it can be made most useful.

We appreciate your patience and your support over the years. We commend you on all that the Association has done over the years to take advantage of the increased knowledge that is available to us. We particularly commend the Education Committee on its work, and we would be negligent if we did not again tip our hat to the Merrill Foundation, to the Life Insurance Association of America, and to the 17 defendant firms and to all others who have contributed, for whatever purpose, to the accumulation of knowledge that is available to us. All of those contributions should help this industry in its effort to increase in stature and to reach a mature and constructive position in our economy.

Respectfully submitted,

RESEARCH AND STATISTIC COMMITTEE

W. Yost Fulton, Chairman
Fulton, Reid & Co.
Cleveland

Hal H. Dewar
Dewar, Robertson & Pancoast
San Antonio

John F. Fennelly
Glore, Forgan & Co.
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Alex. Brown & Sons
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State Legislation Affecting Securities Business

Paul L. Mullaney, Chairman of the Investment Bankers Association State Legislation Committee, reports that though only 14 State Legislatures were in regular session during 1954, securities acts of five States were amended, and proposals have been made for further amendments in several other States to bring their securities acts in conformity with the amended Federal Securities Act of 1933. Calls attention to study being made by the Harvard Law School in State securities regulation and to recent amendments to Legal Investment laws. Advocates Group Legislation Committee members have continuity of service.

Paul L. Mullaney, as Chairman of the State Legislation Committee of the Investment Bankers Association of America, released the report of the committee on Nov. 30, covering its activities during the last year, to the Forty-Third Annual Convention of the Association held in Hollywood, Fla.

The report indicates that notwithstanding only 14 states had regular legislative sessions in 1954, there were amendments to the securities acts in five states during the year.

The text of the report follows:

The legislatures of 14 states have been in regular session this year and there have been special sessions of the legislatures in a few other states. Much work has been done by group legislation committees this year in preparation for 1955 when the legislatures will be in regular session in 45 states. Some of this work and several problems which have arisen this year are summarized below.

I

State Securities Acts

(a) Amendments to State Securities Acts This Year:

Amendments were adopted this year to the securities acts of Arizona, California, Louisiana, Massachusetts, and Mississippi. Appendix A contains a summary of these amendments.

The amendment to the California Corporation Code exempts any advertisement "concerning only securities issued or guaranteed by the United States of America, or any territory or insular possession thereof, or by the District of Columbia or by any state, territory, county, municipality or taxing district therein" from a requirement that no company, broker, agent or other person shall use any advertisement concerning any security sold or offered for sale by it unless a copy of the advertisement has been filed with the Commissioner at least one day prior to its use.

One of the amendments to the Massachusetts Securities Act exempts from the registration requirements of that Act sales to a registered broker, national bank, trust company, savings bank, insurance company or any corporation.

(b) Proposals to Amend Securities Acts in 1955:

In Texas, the Legislation Committee under the Chairmanship of Mr. Charles C. Pierce (Rauscher, Pierce & Co., Inc., Dallas) and including among its members Mr. Hal H. Dewar (Dewar, Robertson & Pancoast, San Antonio), Mr. Wilbur E. Hess (Fridley & Hess, Houston) and Mr. Edward Rotan (Rotan, Mosle and Cooper, Houston) has continued work toward adoption of a new Texas Securities Act. This work has been made somewhat more difficult during the current year because three different men have served as Securities Commissioner thus far during the year.

In Washington, a bill has been prepared to provide a complete new Washington Securities Act. Members of the committee appointed by the Governor for the original preparation of this bill included Mr. Fred Blanchett (Conrad Bruce & Company, Seattle), Mr. Sherman Ellsworth (Wm. P. Harper & Son & Co., Seattle), Mr. John J. Hasfurther (Blyth & Co., Inc., Spokane), Mr. Waldo Hemphill (Waldo Hemphill Investments, Seattle), Mr. Beardslee Merrill (Richards, Merrill & Peterson, Inc., Spokane), Mr. Walter J. Nicholls (Walter J. Nicholls & Co., Spokane), Mr. Earl F. Waterman (Earl F. Waterman & Co., Seattle) and Mr. Lyle Wilson (Pacific Northwest Company, Seattle).

In Tennessee, members of this committee and Mr. Gus Halliburton (Equitable Securities Corp., Nashville) worked with representatives of the Blue Sky Division of the Tennessee Department of Insurance and Banking in the preparation of a bill embodying a complete new securities act for Tennessee.

In North Carolina, a special committee of the Securities Dealers of the Carolinas, including Mr. Glenn Anderson (Carolina Securities Corporation, Raleigh), Chairman; Mr. R. S. Abernethy (Interstate Securities Corporation, Charlotte), Mr. J. Murrey Atkins (R. S. Dickson & Company, Charlotte) and Mr. Marshall Johnson (McDaniel Lewis & Company, Greensboro), Chairman of the North Carolina Committee of the IBA, recommended adoption of several important amendments to the North Carolina Securities Act.

Work is also under way in several other states to obtain adoption of complete new acts, and amendments have been prepared in several states designed to permit procedures under the state acts in accordance with the pre-effective date procedures permissible under the Federal Securities Act of 1933 as amended this year.

(c) Offers to Sell and Solicitation of Offers to Buy Securities, Orally or in Writing, Prior to State Registration:

The Federal Securities Act of 1933 was amended this year to make permissible oral and certain written offers to sell securities and solicitation of offers to buy securities during the so-called "waiting period" under the Federal Act (i.e. after a registration statement has been filed but prior to effective date). Many of the state securities acts define "sale" to include not only actual sales and contracts to sell, but also offers to sell and attempts to sell or solicitation of offers to buy. In these states offers to sell securities and solicitation of offers to buy securities constitute a "sale" and are unlawful prior to state registration of the securities involved.

Although all but nine states (Idaho, Iowa, Mississippi, Montana, Oregon, Rhode Island, South Dakota, Texas and Wyoming) have permitted distribution of identifying statements by registered dealers prior to state registration of the securities described therein if a registration statement for those securities has been filed under the Federal Securities Act of 1933, such distribution has been permitted in a majority of the states on the theory that such distribution constitutes only the dissemination of information and does not constitute an offer to sell the securities or a solicitation of an offer to buy those securities. Consequently, in many of the states where distribution of identifying statements has been permitted as dissemination of information it is unlawful to offer securities for sale or to solicit offers to buy securities (as now permitted under the Federal Securities Act of 1933) prior to state registration of those securities. Dealers will obviously have an advantage in states where it is permissible to offer and to solicit offers to buy securities prior to the effective date of Federal registration.

We recommend that where possible state securities acts be amended to permit oral and written offers to sell securities and solicitation of offers to buy securities prior to state registration of those securities. Such provisions are embodied in the IBA model laws and are presently in the securities acts of several states.

In some states where it is unlawful to offer securities and to solicit offers to buy securities prior to state registration or notification it may be possible to work out procedures whereby the state registration or notification can be completed prior to the effective date of Federal registration so that it would be permissible, without amendment to the acts in such states, to offer the securities or solicit offers to buy the securities during the Federal waiting period; but, generally, the amendments suggested in the preceding paragraph appear to provide the more satisfactory procedure.

(d) Registration of Non-Resident Dealers in Ohio:

In January the then acting Chief of the Ohio Division of Securities sent letters to about 50 non-resident dealers who had allegedly engaged in transactions with institutions in Ohio requesting that such firms obtain a dealers license in Ohio or discontinue transactions with Ohio residents.

Since there is a controversial legal problem as to whether it would be an unconstitutional interpretation of the Ohio Securities Act (as a burden on interstate commerce) for the Ohio Division of Securities to require non-resident dealers to obtain licenses under that Act if they sell to residents of Ohio wholly in interstate commerce and no element of the sale takes place within Ohio, a meeting was held in Columbus on June 16 to consider methods of satisfactorily solving the problem. This meeting was attended by Judge Edmund H. Savord (Chief of the Ohio Division of Securities), Mr. N. J. Kiraly (Assistant Chief of the Ohio Division of Securities), Mr. Dana Baxter (Hayden, Miller & Co., Cleveland), Chairman, Northern Ohio Group, Mr. Dennis Murphy (The Ohio Company, Columbus), Chairman, Ohio Valley Group, Mr. John Heimerdinger (Walter, Woody & Heimerdinger, Cincinnati) Gov-

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Monetary Policy and Debt Management Lauded

Governmental Securities Committee of IBA, whose Chairman is Herbert N. Repp, reviews Federal Reserve Board Monetary Policy and the Treasury's Debt Management during current year, and concludes that both have played a constructive role in the recovery of business activity. Comments on fact that in 1954 all Treasury financing operations were carried out in a free market, without Federal Reserve assistance, and holds time is now propitious for long-term Treasury financing.

Herbert N. Repp of the Discount Corporation of New York, as Chairman of the Governmental Securities Committee, released the report of the Committee to the 43rd Annual Convention of the Investment Bankers Association of America, held in Hollywood, Fla. The committee devoted the contents of the report mainly to the Federal Reserve Board Monetary Policy and the Treasury's Debt Management Policy.

Herbert N. Repp

The text of the report follows:

The major influences in the government securities market during the year 1954 have been the policy of "active ease" followed by the Federal Reserve System, and the debt management program of the present Administration of the Treasury which also was constructively conducted with the economic climate in mind.

Federal Reserve Board Monetary Policy

In the implementation of the Federal Reserve program of active ease in the money market which was designed to encourage lending and borrowing, three methods were used—open market operations, two reductions in the discount rate, and a reduction in reserve requirements.

During the first six months of the year, the government securities market was strongly influenced in the direction of higher prices by actions of the Reserve authorities, and by expectation of further moves. The rate on 90-day Treasury Bills moved from 1.63% to .65%, and yields on long-term Treasury Bonds from 2.96% to approximately 2.65%.

In the June to August period reserve requirements of member banks were reduced by $1.5 billion. This was apparently done to provide in advance of its actual need a degree of liquidity in the banking system that would create a favorable background for the absorption of a heavy corporate and municipal new issue calendar, the Treasury's own cash requirements, and the expected seasonal expansion of credit needs by business and agriculture.

Having released these reserves in advance of their need so that their availability was known, the Open Market Committee of the Federal Reserve System (from June to August) sold or allowed to mature Treasury Bills in an amount closely corresponding to the reduction in requirements. In this way banks were provided with temporary investments for these funds, and an unwarranted erosion of money rates was prevented. The sale of bills emphasized that the purpose of the change in reserve requirements was to add to the liquidity of the banking system and not to the volume of free reserves. It also suggested to investors that they might have over-discounted the real objectives of monetary policy. Subsequently, Treasury Bill yields adjusted upward until by late August they had reached a 1% basis. Long-term Treasury Bonds followed the Treasury Bill trend with a decline that ran about two points.

It would now appear that the objective in this period was to maintain free reserves in the neighborhood of $750 million. (These are the aggregate excess reserves of all member banks after subtracting their borrowings at the Federal.) A volume of this magnitude apparently was deemed sufficient, in the official mind, to keep ample credit available.

Maintenance of the current level of reserves has in some weeks required purchases of Treasury Bills by the Open Market Committee, and in others, sales. In neither case was there necessarily indicated any change in basic policy. As a matter of record the average of free reserves has not varied materially from the $750 million figure. It might be well to point up that the degree of "active ease" can best be measured by the monthly average of the banking system's net free reserves, rather than placing emphasis on transactions in any one given week. In some weeks the figures vary considerably above or below the desired amount as a result of such things as unpredictable and temporary changes in the Treasury's cash balance, money in circulation, etc.

It is apparent that the Federal has maintained a volume of free reserves in the banking system that was considered adequate to counter a moderate business recession. It might then follow that any important sustained strength in business indices could lead to a policy of a somewhat less generous level of free reserves.

Treasury Debt Management Policy

The Treasury also conducted its debt management program with the aim of encouraging business growth. This meant that the Treasury avoided the issuance of a long-term bond, believing that such an offering would interfere with the raising of funds by home builders, corporations, and public bodies whose activities were serving to bolster the economy.

Even though the Treasury did not resort to long bond financing in 1954, it did vigorously push its program of debt structure improvement. Significant results were obtained, primarily by lengthening that portion of the debt held by the banking system.

The Treasury announced Dec. 2 the very successful results of its refunding of $17 billion securities due Dec. 15. This was the second largest refinancing operation in its history; $10 billion of these maturities were owned by investors other than the Federal Reserve System. Of this amount nearly $7 billion were converted into the intermediate security due in 1963 while only $3 billion were converted into the issues due within one year. This is another important forward step towards the Treasury's objective. Including the December refunding a total of approximately $31 billion of debt has been placed this year in the three to nine year area. This represents a substantial gain over the $9 billion of extension accomplished in 1953.

The increased supply of intermediate issues that resulted from the Treasury's program of debt pattern improvement also contributed to the slow price decline which has taken place since July.

We are now nearing the end of this current phase of heavy refundings which have largely been directed at the banking system. After dealing with the $15 billion maturing next February and March, no major refunding operations of maturing obligations need be contemplated for nearly two years. Excluding weekly Treasury Bills and those maturities held by the Federal Reserve System, Treasury refundings of currently outstanding marketable debt from April 1955 through March 1957 will total only $20 billion as compared with $46 billion for the two-year period just past. This indicates that the Treasury is beginning to obtain some results from its debt extension program.

Assuming a continuation of the recent improvement in business, the time is approaching when the Treasury need be less concerned about interfering with the private sector of the market through the issuance of a long-term bond. The Governmental Securities Committee strongly favors the undertaking of long financing in such an atmosphere.

Long-term Treasury offerings could be made either in refunding operations or for cash. Although new cash requirements of the Treasury appear to be very small during the first half of 1955, any funds raised through the sale of long bonds could be used, for example, to retire maturing Tax Savings Notes. It is a rather striking fact that since 1945 there has been offered only one long-term marketable Treasury bond, the relatively small issue of 3¼s sold in 1953. Pricing new issues will present some problems because the volume outstanding in the long area now is not sufficient to provide an adequate yardstick. This fact must be taken into consideration when the time is appropriate for the issuance of a long-term security, and the new offering should be in an amount to require a rate that will more realistically appraise the value of long-term Treasury money.

Debt Limit

In the coming year the Treasury will again be confronted with the statutory limitation on the debt. The recent temporary increase of $6 billion expires on June 30 next. Before that time Congress must face up to this situation so that the Treasury will be in a position to meet the obligations imposed upon it by appropriations of the Congress.

To conclude its report the Committee would like to comment that again in 1954 all Treasury financing operations were successfully carried out in a free market without any direct assistance from the Federal Reserve.

Your committee believes that the Treasury debt management policies and the monetary policies of the Federal Reserve System have both played a constructive role in the recovery of business activity.

Respectfully submitted,

THE GOVERNMENTAL SECURITIES COMMITTEE

Herbert N. Repp, Chairman
Discount Corporation of New York, New York

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The National City Bank of Cleveland, Cleveland

Milton S. Bosley
National Bank of Detroit
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Wendell T. Burns
Northwestern National Bank of Minneapolis, Minneapolis

Dwight W. Chapman
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C. F. Childs and Company
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Robert H. Craft
American Securities Corporation, New York
James A. Cranford
The Atlantic National Bank of Jacksonville, Jacksonville
Stewart A. Dunn
C. J. Devine & Co., New York
Robert R. Gilbert, Jr.
First National Bank in Dallas
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W. Wayne Glover
California Bank, Los Angeles
Sheldon R. Green
The Chase National Bank of the City of New York, New York
H. Lyman Greer
The Fifth Third Union Trust Co., Cincinnati
Hardin H. Hawes
Harris Trust and Savings Bank, Chicago
Russell A. Kent
Bank of America, N.T. & S.A.
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George B. Kneass
The Philadelphia National Bank, Philadelphia
Frederick G. Larkin, Jr.
Security-First National Bank of Los Angeles, Los Angeles
Ralph F. Leach
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Pat G. Morris
The Northern Trust Company
Chicago
Robert C. Morris
Bankers Trust Company
New York
Emil J. Pattberg, Jr.
The First Boston Corporation
New York
Delmont K. Pfeffer
National City Bank of New York, New York
L. Sumner Pruyne
The First National Bank of Boston, Boston
F. Brian Reuter
Mellon National Bank & Trust Co., Pittsburgh
William P. Sharpe
Mercantile Trust Company
St. Louis
Rudolf Smutny
Salomon Bros. & Hutzler
New York
J. W. Speas
Norris & Hirshberg, Inc.
Atlanta

Henderson Harrison Adds

Henderson, Harrison & Struthers, 40 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Malcolm P. Ripley to partnership.

British Stock Exchange Uncertainties

By PAUL EINZIG

Commenting on the recent reaction in securities prices on the London Stock Exchange, Dr. Einzig lays its cause to fears that the Government might resort to disinflationary devices to check inflation. Sees no ground for this fear, and concludes "it seems probable that the British boom will be allowed to continue uninterrupted."

Dr. Paul Einzig

LONDON, Eng. — After a long spell of almost uninterrupted rise, the London Stock Exchange experienced a fairly sharp if temporary setback at the close of November. This was all the more unexpected as the political factor appeared to be distinctly favorable. The prospects of the Conservative Party have improved, and in any event the possibility of an early general election has declined considerably. All indices pointed towards a further expansion of business. The government's decision to grant substantial increases of old age pensions and other social service benefits, and the substantial wages increases granted recently, ensured the maintenance of consumer demand at a high level. There have been indications of an increase of capital expenditure on road improvements, railway reorganization, etc. Profits are on the increase, and the last remains of the voluntary dividend restraint are gradually fading away.

The reason why in spite of these and other favorable points there was a reaction on the Stock Exchange was the development of fears that the government might resort to disinflationary devices to check the accentuation of inflation. While until recently the possibility of a further reduction of the bank rate was widely canvassed, towards the end of November the possibility of an increase of the bank rate came to be envisaged. There was of course no question of an immediate change in that sense, since it would have interfered with the Treasury's major conversion operation which is in progress. But many people hoped or feared, whichever may be the case, that the Bank of England would take the earliest opportunity after the completion of that operation to administer a dose of disinflation by means of a higher bank rate. For this reason many investors and speculators preferred to play for safety by realizing their holdings.

Although the existence of an inflationary trend received some publicity recently, there is nothing new in the situation. It is wrong to talk about "entering" a period of inflation, for, apart from a brief interval in 1952, inflation never ceased in this country. It has certainly been proceeding during 1953-54, even if its pace has been moderate. Nor are there any indications that the situation is getting out of control. Creeping inflation continues to creep, but on the other side of the balance sheet there is a noteworthy improvement in the supply position. Industrial output has increased materially during the last year or so, and it continues to increase. Inventories are well-stocked. The country is well provided with reserve supplies of food and other essentials. Delivery dates are getting shorter, so that a further increase in domestic consumption need not necessarily be detrimental to export capacity. In this respect the situation varies of course from industry to industry, but generally speaking the economy appears to be less overloaded than it was until recently.

Admittedly in some lines shortages threaten to develop, and the publicity given to the possibility of such shortages may go a long way towards bringing them about by inducing firms and individuals to hold stocks in excess of their immediate requirements. But there are no indications of an all-round inflationary scramble for goods.

If over-full employment were to be accepted as a cause for higher bank rate, the bank rate should have been raised long ago. But in our times over-full employment seems to have been accepted as a normal and permanent state of affairs which calls for no correction. No government would dare to raise the bank rate with the object of reducing employment.

As for the Stock Exchange boom, it is to a large degree a natural process. It merely adjusts quotations to the rise in the intrinsic value of the tangible assets of industrial firms. Such an adjustment has long been overdue but has been held up by the artificially low level of dividends. It would not be reasonable for the authorities to try to check the rise by causing tight money conditions. Nor is the situation so speculative as to call for official intervention. The volume of speculative positions is not excessive, and in any case the banks have official instructions to abstain from financing speculative Stock Exchange operations.

From a political point of view the government is anything but anxious to reverse the prevailing trend of business activity. The memory of 1929 when an increase of the bank rate was followed by a defeat of the Conservative Government at the general election is still fresh. There is of course a possibility of an early rise in the bank rate on the assumption that the general election would not take place in the autumn, by which time there would be ample opportunity for reducing it again. But the government is not likely to take any chances. Quite conceivably a situation may arise which would make an earlier general election appear expedient. The government has no wish to sacrifice a good opportunity by bringing about a temporary relapse in business activity. Nor is it certain by any means that the authorities are in a position to regulate business activity sufficiently accurately to ensure that an artificially created setback would be overcome by the autumn.

Taking everything into consideration it seems probable that the British boom will be allowed to continue uninterrupted. For one thing, the whole propaganda policy of the Conservative Party rests on the claim that the government has brought prosperity. It will be necessary for the government to live up to its propaganda which has committed it to an expansionary course.

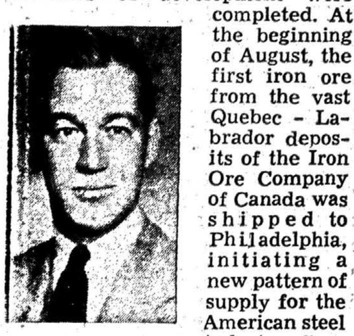
New Growth Factors in Canada's Economy

Peter Kilburn of Greenshields & Co., Montreal, Canada, Chairman of the Canadian Committee of the Investment Bankers Association of America, meeting in Hollywood, Fla., presented on Nov. 30 the Annual Report of the Committee, in which developments during the last year in the Canadian economic situation and the securities markets were discussed.

Peter Kilburn, Chairman of the Canadian Committee of the IBA, calls attention to shipments of iron ore from the Quebec-Labrador deposits and the production of the first aluminum ingots at Kitimat in British Columbia. Reviews economic activity in Canada in 1954, and contrasts economic trends in the United States and Canada. Discusses Canada's international indebtedness, and takes note of Canada's population growth, which has now reached the 15 million mark. Comments on the current Canadian securities markets.

The full text of the report follows:

In any future history of Canada 1954 will be remembered as the year in which two important schemes of development were completed. At the beginning of August, the first iron ore from the vast Quebec - Labrador deposits of the Iron Ore Company of Canada was shipped to Philadelphia, initiating a new pattern of supply for the American steel industry. Containing more than 500 million tons of high-grade iron ore, the Quebec-Labrador deposits have been developed by joint U. S. and Canadian enterprise to replace in part the depleted Mesabi Range. At about the same time the first aluminum ingot was produced at the Aluminum Company of Canada's new smelter at Kitimat in British Columbia. Starting with an initial annual capacity of 91,000 tons, the smelter is already being enlarged by 65% and ultimate capacity could reach 550,000 tons per year. To a large extent the Kitimat project was designed to meet the growing requirements of the United States, where the Government has abandoned plans for a third round of aluminum expansion.



Peter Kilburn

1954 will also mark a milestone in Canada's history as the year in which a start was made on the St. Lawrence Seaway. Agreement was finally reached between Canada and the U. S. on this long delayed issue and contracts have already been signed for work both on the Seaway itself and on the joint power project, which will give Ontario and New York State each an additional 1,100,000 h.p. of hydroelectric energy. In many other sectors of the economy, U. S. and Canadian businessmen are joining forces to develop Canada's resources in the way best suited to supply the needs on both sides of the border.

There are still many obstacles in the way of efficient cooperation, and government decisions affecting the two countries are sometimes governed by political considerations rather than by the realities of economics and geography. The natural gas issue appears to be one such instance. On the whole, however, the concept of an integrated North American economy is strongly taking shape and there is no doubt that over the years Canada will supply to this economy an ever increasing proportion of wood products, of minerals and of energy under the form of water power, oil, natural gas and uranium.

This sixth annual report of the Canadian Committee will outline briefly economic activity during the current year and compare the trends in Canada and the U. S. since the second World War. This will be followed by a short survey of Canada's balance of payments and of its balance of international indebtedess, then population and securities markets.

Economic Activity in 1954

General stability is shown by the statistics published so far this year in Canada. For the first half of 1954 the level of aggregate output at seasonally adjusted rates was 2% below the annual average of 1953. The decline in non-agricultural production, which started in the last quarter of 1953, appears to have been halted and the lower aggregate output reflects a substantial decrease in crop production, as a result of adverse weather conditions in the Prairies. While production of durable goods continued to move downward during the whole of the first half, it was more than offset by gains in the non-durable goods industry. In the second quarter the number of employed declined by about 1% from a year ago but with higher average wages, labor income showed a small increase over last year. As gains also occurred in other elements of personal income, personal disposable income in the first six months was more than 5% above the first half of 1953, so that purchasing power was maintained at a high level.

Exports for the first nine months were down 7.8% from last year while imports declined by 8.2%, resulting in a deficit balance of trade of $195.1 million as compared with $226.1 million in the like period of 1953. The first six months of the Federal Treasury's fiscal year ended with a surplus of $63.4 million against $200.1 million at the same time last year. So far revenues have dropped $153 million from 1953 while expenditures are only lagging by $16.6 million. Barring a rise in Federal revenues during the last half, indications are that the fiscal year might end with a budgetary deficit for the first time since 1945-1946. The latest and more significant figures of Canadian economic activity are reproduced in Table 1.

Trends in Economic Activity in Canada and the United States

The Canadian and U. S. economies are so strongly linked that they inevitably show parallel movements, any difference in the statistical charts being in respect to timing or magnitude rather than direction. As pointed out recently by the Dominion Bureau of Statistics in its monthly review there has been a striking similarity in the trends of output, income and expenditure since 1946. The reasons are not difficult to find: Canada and the U. S. are closely linked through import and export trade, the two economies have the same characteristics which are to be found in well advanced industrial countries, and they have been similarly affected by international events such as the Ko-

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TABLE I

	Period	1954	1953	% Change
PULP & PAPER:				
Newsprint production (tons)	1st 9 months	4,435,983	4,264,023	+ 4.0
Pulp production (tons)	1st 9 months	7,053,812	6,608,113	+ 6.7
STEEL:				
Steel ingots production (tons)	1st 8 months	2,046,409	2,713,159	—24.6
Motor vehicles shipments (units)	1st 8 months	286,724	355,029	—19.2
BUILDING:				
Cement production (bbls.)	1st 8 months	14,960,851	14,718,978	+ 1.6
Dwelling units started (units)	1st 8 months	71,567	69,463	+ 3.0
OIL & GAS:				
Crude petroleum production (bbls.)	1st 7 months	51,412,162	41,456,739	+24.0
Natural gas production (M cu. ft.)	1st 7 months	71,957,186	57,903,187	+24.3
MINING:				
Iron ore production (tons)	1st 7 months	2,586,146	3,289,867	—21.4
Coal production (tons)	1st 7 months	8,298,470	8,809,337	— 5.8
Nickel production (tons)	1st 7 months	90,237	82,045	+10.0
Copper production (tons)	1st 7 months	171,277	158,169	+ 8.3
Zinc production (tons)	1st 7 months	204,234	236,899	—13.8
Lead production (tons)	1st 7 months	129,240	112,604	+14.8
Gold production (fine oz.)	1st 7 months	2,473,039	2,572,371	— 3.9
LABOR INCOME	1st 7 months	$6,777,000,000	$6,657,000,000	+ 1.8
ELECTRIC ENERGY OUTPUT (kwh.)	1st 7 months	39,288,000,000	38,636,000,000	+ 1.7
CARLOADINGS REVENUE FREIGHT (cars)	1st 8 months	2,393,600	2,647,700	— 9.6
TOTAL RETAIL SALES	1st 8 months	$7,712,237	$7,835,027	— 1.6
MANUFACTURERS' INVENTORIES, est. value	At Aug. 31	$3,969,900,000	$4,059,900,000	— 2.2
CHARTERED BANKS:				
Savings deposits in Canada	At Sept. 30	$5,535,000,000	$5,226,000,000	+ 5.9
Current loans in Canada	At Sept. 30	$3,776,000,000	$3,647,700,000	+ 3.5
Active note circulation	September	$1,304,400,000	$1,293,900,000	+ 8.1

SOURCES FOR TABLE 1: Dominion Bureau of Statistics; Bank of Canada Statistical Summary; Monthly Report of the Newsprint Association of Canada; Canadian Pulp and Paper Association Monthly Report.

Aircraft Manufacturing Industry Impressive

The Aviation Securities Committee of the IBA, through its Chairman, William Barclay Harding, reports that from an earnings standpoint the aircraft manufacturing industry has shown a steady growth in recent years, and the feeling has grown that there is more investment merit in aircraft manufacturing securities than had generally been appreciated. Finds air transportation industry underfinanced, and additional capital could be used by it, but points out financing on favorable terms is largely prevented by cumbersome regulatory procedures and profit restrictions.

The Aviation Securities Committee of the Investment Bankers Association of America, through its Chairman, William Barclay Harding of Smith, Barney & Co., New York City, released its annual report to the 43rd annual convention of the Association which met in Hollywood, Florida, November 28 through December 3. The committee's report covered developments in both aircraft manufacturing and airline transportation.

Wm. B. Harding

The text of the report follows:

The aircraft manufacturing and air transportation industries of the United States are among our most important industries. Nevertheless, as has been pointed out in previous Aviation Securities Committee reports, they are among the smallest users of the machinery of the investment banking industry. This fact is attributed, in part, to the close relationship between the aeronautical industries and the Federal Government.

Aircraft Manufacturing Industry

The Federal Government has become overwhelmingly the aircraft manufacturing industry's largest customer and it has contributed to the industry's financing in many ways, most important of which are advance payments and guaranteed loans. The latter have constituted a substantial volume of business for commercial banks. But the services of the investment banking industry have been needed only on rare occasions in recent years, and mostly have been employed only to handle secondary offerings of securities or to perform such special services as the negotiation of mergers and acquisitions.

The record of the aircraft manufacturing industry, from an earnings standpoint, has been impressive, and certain integrated companies in the industry have shown a steady growth of earnings in recent years. The feeling has grown that there is more investment merit in aircraft manufacturing securities than had generally been appreciated, and it is conceivable that there may be a gradual trend toward financing by the sale of securities to the public, and away from government financing. The Defense Department indicated a desire for such a trend when, early this year, there were discussions of possible reduction in the use of progress payments; but working capital requirements of the business continue to be so high that no drastic change in the method of financing the industry appears feasible.

The manufacturing industry, its problems and characteristics, have been reviewed in an outstanding study entitled "The Douglas Aircraft Co. and The Aircraft Manufacturing Industry," published in August by Kuhn, Loeb & Co. under the direction of the Aviation Securities Committee's former Chairman, Mr. Hugh Knowlton. The Aviation Securities Committee has obtained the approval of Kuhn, Loeb & Co. to reproduce "The Aircraft Manufacturing Industry" section of the study, 5,000 copies of which will be made available to I.B.A. members at 50c per copy. Requests for copies, accompanied by checks, should be addressed to Mr. Robert Stevenson, I.B.A. Secretary, 425 13th Street, N. W., Washington 4, D. C.

The Air Transportation Industry

The permanent capital requirements of the airlines are small in relation to the volume of business done. This is due to the fact that ground facilities can be leased, in most instances, and flight equipment, which is rapidly amortized, lends itself to short term debt financing. Nevertheless, many airlines are underfinanced, and would raise additional capital if they could do so on favorable terms. The fact that they cannot do so is due in large measure to regulatory procedures which are cumbersome and restrictive as to profits. To meet cash needs, the airlines are forced to retain earnings, and, as a result, air transportation securities have been notoriously poor dividend payers.

The foregoing conditions have been taken under consideration by the Aviation Securities Committee. In June of this year the Committee issued a study entitled "Local Service Air Transportation and Metropolitan Helicopter Services." While this study is primarily concerned with two small and relatively new segments of the air transportation industry, it reflects the regulatory problems of the air transportation industry as a whole and makes certain recommendations for changes in regulatory procedures.

In making its study, the Aviation Securities Committee took into account the broad policy objectives of a report entitled "Civil Air Policy" which had been issued in May by the Air Coordinating Committee of the Federal Government under a Presidential directive.

The Aviation Securities Committee's study was widely distributed, the distribution including all members of Congress, top officials of the Federal Government concerned with air transportation, all scheduled air transportation companies and all airframe and aircraft engine manufacturing companies. Many comments were received. These comments are being consolidated and transmitted to government officials and organizations still working on the development of transportation policies and regulatory procedures. One of these organizations is the President's Cabinet Committee on Transportation, headed by the Honorable Sinclair Weeks, which is due to issue a policy statement in the very near future.

In its activities the Aviation Securities Committee is constantly aware that it must refrain from taking anything but a neutral position on topics which are in dispute between individual carriers or between the airlines and other forms of transportation.

Statistical Summary

The usual statistical report containing facts and figures about the aeronautical industries, will not be issued at this time. Many basic figures are contained in the two studies to which reference has been made above. Consideration will be given to the issuance of a statistical summary when full 1954 industry statistics are available.

Respectfully submitted,

AVIATION SECURITIES COMMITTEE

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Hugh Knowlton
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Donald N. McDonnell
Blyth & Co., Inc.
New York

Cortelyou L. Simonson
Morgan Stanley & Co.
New York

David L. Skinner
Harriman Ripley & Co., Incorporated, New York

Murray Ward
E. F. Hutton & Company
Los Angeles

$88 Million Chicago Skyway Toll Bridge Bonds to Reach Market

Purchase offer to be made December 22 by Blyth & Co.-John W. Clarke Group.

Representatives of a group of institutional investors on Dec. 13, inspected the site of the proposed Calumet Skyway Toll Bridge in Chicago, under the sponsorship of Blyth & Co., Inc. and John W. Clarke, Incorporated, who, as managers of a group of underwriters, will submit a purchase offer on Dec. 22 for $88,000,000 City of Chicago Calumet Skyway Toll Bridge revenue bonds.

The new Skyway is expected to uncork one of the tightest bottlenecks in the Chicago area — the narrow corridor between Lake Michigan and Lake Calumet where the high degree of industrialization of the area, numerous railroad crossings and the opening of bridges over the Calumet River have created troublesome traffic jams.

The structure will be a six lane limited access modern expressway and high level bridge from the Indiana-Illinois state line into the downtown Chicago business area. It will have direct connections on the south with the Northern Indiana Toll Road, now under construction, as well as with U. S. Routes 12, 20 and 41.

Designed for speeds of 60 mph, the Skyway will be approximately seven miles long and will clear the Calumet River by about 125 feet.

Revenue bonds to be issued to pay for construction of the bridge and all charges will be dated Jan. 1, 1955 and will mature Jan. 1, 1995. They are payable solely from net revenues derived from the operation of the bridge.

Mixed Situation in Railroad Securities

IBA Railroad Securities Committee, under chairmanship of Charles L. Bergmann, says an impartial appraisal of railroad's position leads to the conclusion that it has both favorable and unfavorable aspects. Notes railroad financing now constitutes an exceedingly small part of total volume of corporate financing, and the most unfavorable aspect of the outlook for the railroad industry continues to be the apathy with which railroad problems are viewed by our lawmakers.


Charles L. Bergmann

The Railroad Securities Committee of the Investment Bankers Association of America, whose chairman is Charles L. Bergmann of R. W. Pressprich & Co., New York City, presented a brief report to the 43rd Annual Convention of the Association which met in Hollywood, Florida, November 28 to December 3, 1954.

The text of the report follows:

Investors in railroad securities probably view the year 1954 with mixed feelings of satisfaction, confusion and frustration. Satisfaction would stem from the good market performance of a wide range of railroad securities. Confusion is understandable when it is realized that a stock market rise occurred in the face of a substantial decline in railroad earnings and no apparent improvement in the competitive position of the industry. Frustration may well stem from the fact that so little has been accomplished toward revising our national transportation policy. Actually, an impartial appraisal of the railroads' position leads to the conclusion that it has both favorable and unfavorable aspects. Which will predominate over the longer term depends in large measure on how wisely and courageously our railroad managers and our political leaders deal with the problems of transportation regulation and promotion.

Net Income Off 30%

It is estimated that the gross revenues of the Class I railroads of the United States will approximate $9½ billion for the full year 1954. This would reflect a decline of approximately 11% from the $10.7 billion of gross revenues in the year 1953. The 1954 net income of the carriers after interest charges and rents is estimated to approximate $600 million, a decline of over 30% from the results of 1953. It should be noted that net income for both years is overstated to the extent that reported earnings reflect the benefits derived from tax deferments resulting from accelerated amortization granted under defense certificates of necessity. In 1953 these tax deferments approximated $150 million and are estimated at $175 million for 1954. It should be borne in mind that under Interstate Commerce Commission accounting rules the accelerated amortization charges are not included in the railroad expense accounts but the resultant lower income tax figures are included. If the net income figure were adjusted to eliminate these tax deferments net income would approximate that shown in the relatively poor year 1949. This comment acquires added significance if it is noted that the gross revenues for 1954 probably will exceed those of 1949 by about $1 billion.

Impact on Eastern Carriers

The decline in railroad traffic and earnings did not fall with equal weight on all companies. Those roads which serve the steel industry and the closely allied bituminous coal industry suffered most. Included in this group are the large eastern roads whose earnings are adversely affected by huge operating losses in the passenger division, heavy terminal costs, and the erosion of their traffic by competing forms of transportation. The inadequacy of earnings of the eastern roads under the most favorable conditions is accentuated during periods of declining traffic volume. This group of roads presents a difficult problem which must be recognized and dealt with by the entire railroad industry as well as by regulatory bodies. They require larger earnings to provide funds for capital expenditures to promote increased efficiency. Neither higher rates nor a more favorable division of inter-territorial rates will of themselves produce adequate earnings. What is needed most is an equality of competitive opportunity and management freedom that will enable all railroads to seek to recapture a large volume of traffic which has been diverted to more favorably situated competitors although the rails can handle the traffic more efficiently.

In spite of the substantial decline in railroad traffic, management as a whole was able to control operating costs to a much greater degree than would have been thought possible 20 years ago. Much of this cost control ability may be attributed to the large postwar expenditures for modernization of plant and equipment. However, railroad management itself must be given a great deal of credit for adopting new techniques in operating and maintenance procedures and in budgetary control systems. The demonstration by the railroads of their ability to exercise a reasonable degree of cost control in the face of an 11% revenue decline has been most reassuring to many investors in railroad securities.

Gross capital expenditures of Class I roads during 1954 are estimated at $800 million. This compares with average annual expenditures in the last eight years of $1,200 million and $1,260 million for 1953. The reduced volume of capital expenditures may be attributed in part to the decline in earnings, in part to the fact that many railroads' postwar modernization programs are nearly complete. However, it should not be inferred that the railroad system today is completely adequate to perform the transportation function so essential to this nation in both peace and war. Many millions of dollars must be spent each year if the industry is to maintain an efficient and modern operation.

Emphasis on Internal Financing

As we have noted in previous reports, it has been the practice of the railroads to rely largely on retained earnings, depreciation funds and working capital for the sums required for their additions and betterments programs. The balance of the required funds was obtained for the most part by the issuance of equipment trust certificates and conditional sales obligations. These practices have continued through 1954, but reflecting the reduced amount of expenditures, equipment trust financing is estimated at only $160 million for 1954, about one-third less than a year ago.

However, reflecting improved bond market conditions and lower interest rates approximately $234 million of securities were refunded to effect savings to the borrower. Included in this total were $22½ million par value of income debentures issued to redeem the greater part of a preferred stock issue. Some significance may be attached to this "bond-for-preferred" refunding as it is reported that a number of other railroad companies are considering similar moves. In the aggregate, however, railroad financing constitutes an exceedingly small part of the total volume of corporate financing in our security markets.

Lawmakers' Apathy

The most unfavorable aspect of the outlook for the railroad industry continues to be the apathy with which railroad problems are viewed by our lawmakers. The unfavorable implications are of concern not only to investors in railroad securities but to the country as a whole. A top executive of one of the country's major railroads recently stated that the attainment of a railroad plant adequate for our civilian and defense needs would be most difficult unless there were a major revision of government approach to transportation regulation and promotion and the equalization of competitive opportunity for the several segments of transportation.

That the Executive Branch of the government is not unaware of the problem is best shown by an excerpt from President Eisenhower's budget message to Congress on Jan. 21, 1954. To quote: "Efficient transportation and communication services are essential to the national economy and the national security. At my request, an intensive reappraisal of Federal responsibilities is underway both by the regular departments and agencies and by special commissions. The general principles guiding this reappraisal are that the national interest will usually be served best by a privately owned and operated industry, which is supported by a minimum of Federal funds or Federal basic

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Outlook for Equity Industrial Financing

Chairman John C. Maxwell, in report of the IBA Industrial Securities Committee, says future of industrial financing is brightened by the growth of atomic energy, and there are expectations of heavy new capital issues to cover both expansion and debt refunding. Foresees likelihood of increase in equity financing, due to abandonment of the excess profits tax and probable reduced taxes on corporations. Gives most recent data on plans for new capital investment by privately owned corporations. Stresses important psychological factors in general business confidence.

The Industrial Securities Committe of the Investment Bankers Association of America, under the chairmanship of John C. Maxwell, of Tucker, Anthony & Company, New York City, released its annual report to the 43rd Annual Convention at Hollywood, Fla, on Dec. 2.

The full text of the report follows:

The annual Securities and Exchange Commission's compilation of all securities issued since 1950 confirms what we have already known — that American industry in recent years has gone through its biggest expansion on record. The capital expenditures of all manufacturing in 1953 is stated at $10,026,000,000. To finance this industrial corporations in 1953 sold securities netting them $2,128,000,000. While the total issuance of industrial securities in 1953 was materially less than those issued in 1951 and 1952, it still amounted to a very satisfactory total. However, of the total amount of money raised by all corporations in 1953, estimated at $8,900,000,000, in excess of $3,200,000,000 in bond and note financing was privately placed.

John C. Maxwell

For 1954 the figures are only available up to the end of August at which time the total amount of corporate bonds issued amounted to approximately $4,400,000,000, of which $2,500,000,000 was publicly offered and the remaining $1,900,000,000 privately placed. In addition, during this period preferred stocks were issued to the extent of $580,000,000 and common stocks to the extent of $700,000,000.

Bond prices so far in 1954 have followed a pattern of a general rise since the low point was reached in the middle of 1953. At the same time there has been an attendant rise in the price both of common stocks and preferred stocks. Despite the recent rise in the stock market the issuance of preferred and common stocks has not increased over the $2,000,000,000 annual rate which has pertained in recent years.

With the expiration of the excess profits tax and the hope that the present 52% corporation tax will be lowered, it would seem that the strength in the industrial stock market might lead to more equity financing. That 1955 should again be a year in which industry will need large sums of money is pointed up by the accompanying table which is taken from the preliminary survey of industry spending plans for 1955 made by the McGraw-Hill Publishing Company, Inc.

As you will note from the table, all manufacturing industry is planning to spend about $8,600,000,000 in 1955 as against an estimated expenditure of $9,200,000,000 in 1954.

Plans for Capital Investment

	—Millions of Dollars— 1953 Actual*	1954 Estim.*	1955 Planned	Percent Change 1954-1955
All Manufacturing	$10,026	$9,249	$8,598	— 7%
Petroleum Industry †	4,600	4,875	4,920	+ 1
Mining	506	380	311	—18
Railroads	1,312	851	769	—10
Other Transport. & Communic.	2,954	2,922	2,640	—10
Electric and Gas Utilities	4,548	4,274	4,206	— 2
All Industry	23,271	21,784	20,727	— 5

*United States Department of Commerce; Chase National Bank; McGraw-Hill Department of Economics. †Petroleum refining, included under both "All Manufacturing" and "Petroleum Industry," is included only once in the total.

The future of industrial financing is brightened by the growth of atomic energy and the large sums of money which will have to be expended by private industry if the utilization of this source of energy is to be financed by private resources rather than by the government.

Along with the financing necessary to supply this vast amount of money there is also a strong possibility, saying money rates remain as at present, that there will be an additional amount of refunding to be done of debt issued by industry early in 1953 and 1954. The average yield of 40 industrial bonds in 1953 was 3.3% and as of Oct. 2, 1954 the average yield on the same bonds was 3.06%. For the same period the dividend price ratio of preferred stocks, taking the 1953 average price, was 4.27% and is now 3.95%, while the common stocks have dropped from a yield of 5.50% to 4.30%.

There are a number of unsatisfactory conditions in our industry, among which are — (1) the small margin of profit which has pertained in competitive bidding, (2) the large amount of securities which have been privately placed, and (3) the heavy speculation in low priced mining shares. It is to be hoped that a solution to some, if not to all of these points can be found.

The American Institute of Accountants has taken up with your Committee a change in the wording in bond indentures with reference to certified public accountants. At the present time in bond indentures where the services of a certified public accountant are needed the words "nationally known firm" are used as a guide to the trustee. After consultation your Committee recommends that the following phrase be used as a substitute: ". . . audited by a certified public accountant or firm of certified public accountants acceptable to the parties. In the event that they fail to agree, an auditor shall be selected by the trustee."

In conclusion, the Committee feels that in addition to various tangible factors, the important psychological factor of general business confidence augurs well for the future industrial securities market.

Respectfully submitted,

INDUSTRIAL SECURITIES COMMITTEE

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Outlook for Private Foreign Investment

Foreign Investment Committee, recently constituted by the Investment Bankers Association of America, and headed by Robert H. Craft, in its report to the 43rd Annual Convention, tells of its intention to collaborate with the Federal Government and private organizations in assisting to create a climate for foreign investment. Reveals participation in organizing a conference in New Orleans in February to explore specific investment opportunities in Latin American countries. Committee, however, concludes "it may take some time to remove all the obstacles and hazards to foreign investment."

The Foreign Investment Committee, set up last summer by the Investment Bankers Association of America, under the motivation of the Foreign Operations Administration of the State Department, through its Chairman, Robert H. Craft, of the American Securities Corporation, New York City, released on December 1 its first report to the Forty-Third Annual Convention of the Association, held at Hollywood, Florida.

Robert H. Craft

The text of the report follows:

The Foreign Investment Committee is the most recently established appendage of your Association. In fact, the Committee was constituted just this past summer and actually has been functioning for a matter of only a couple of months. Therefore, there is not much in the way of tangible accomplishment to report at this juncture. Nevertheless, your President suggested that you might be interested in a brief description of the activities in which the Committee intends to engage; and I would like also to make several observations about the general foreign investment climate.

The decision to form an IBA Foreign Investment Committee was motivated originally by a request from the State Department and Foreign Operations Administration that the Investment Bankers Association lend some practical assistance with the problems of these agencies in the foreign investment field. Our thinking about the areas in which the Committee might operate has extended somewhat beyond this original concept. In general, the Committee proposes to function as a liaison between the investment banking fraternity and all government agencies and departments dealing with foreign investment problems. These include the World Bank, Foreign Operations Administration, Export-Import Bank, the Federal Reserve, and the Departments of State, Treasury and Commerce.

In addition, we intend to collaborate with other organizations such as the International Chamber of Commerce and the International Development Advisory Board; also with the President's executive assistant, Mr. Clarence Randall, and his staff who are responsible primarily for the promulgation of the President's foreign policy program. Members of the Committee have met with representatives of most of these groups for the purpose of discussing the manner in which we can most effectively coordinate our activities.

Among other things, Foreign Operations Administration has called on us to assist in the preparation of prospectuses which will serve as a basis for presentation of various foreign investment opportunities of diverse nature and amount. Later, as these specific projects are submitted for consideration, we will be asked to suggest companies, groups and investment bankers who might be interested in furnishing financing. At such time as these begin to crystallize, arrangements will be made to circularize those of our member firms who have an interest in examining them, either as principals, underwriters or as agents for clients.

With this same objective of exploring specific investment opportunities in Latin American countries, there is currently in process of organization an Inter-American Conference to be held in New Orleans in February. The Investment Bankers Association, together with the International Development Advisory Board, Foreign Operations Administration and other organizations has agreed to act as a sponsor of this Conference and we expect to have a delegation of several members in attendance at those meetings.

Representative business men and bankers from 12 Latin American countries will attend, and it is contemplated that detailed information concerning the nature of the projects for which financing is sought, will be made available sufficiently far in advance of the meeting to enable interested business men in this country to form preliminary judgments and thus be in a position to discuss the projects seriously during the course of the meetings.

Now, as we all know, during recent years there has been little incentive for private capital in this country to go abroad. This has been for a variety of obvious reasons. For one thing, there have been too many attractive opportunities at home. Secondly, because of political and economic instability, there has long been an underlying antipathy to foreign investment. Fear of expropriation, lack of currency convertibility, restrictions on remission of profits and onerous tax laws have been substantial deterrents.

Your committee has shared the view that for too long a time the emphasis on foreign investment has been misplaced. Unfortunately, as a result of experience in dealing with our government on a grants-in-aid basis, an erroneous impression has been created in many foreign countries that American private capital *also* is readily available on almost any terms and conditions. Obviously, just the contrary is the case. As Mr. Clarence Randall has said, "American capital must be wooed." It must be presented with opportunities sufficiently attractive to compete with opportunities available in this country.

It may take some time to remove all the obstacles and hazards to foreign investment that now exist. On the other hand, there appears gradually to be developing a more favorable atmosphere. There is, for example, an increasing consciousness on the part of many foreign countries of the need for creating a favorable climate for the attraction of American capital. Some countries have done something about getting their internal houses in order by dealing effectively with fiscal problems, by taking steps to clear up past defaults, to revise laws so as to provide equal treatment for foreign capital and by offering tax and other incentives.

Beyond that, and more basic, of course, is the marked and generally worldwide economic and financial recovery of the last several years. It is not insignificant that while our domestic economy has been undergoing some readjustment during the greater part of 1954 that most of the rest of the world has experienced further substantial recovery. In addition, there is a good deal of opinion that the prospect for peace appears brighter today than at almost any time since before World War II.

Government relief of war-stricken areas has been largely completed and we are now in the transition period from the give-away program of economic aid to governments to the granting of loans for private industrial development. The next logical step is the substitution of private for government capital. Outside the categories of oil and mining, and with the notable exception of Canada, this private investment has amounted to only a trickle to date. In the early stages of this transition period private capital probably can best be attracted by participation in partnership with the nationals of the countries concerned and in combination with our own government agencies, notably the World Bank and the Export-Import Bank. To this end, it recently was announced that the World Bank is contemplating the formation of a new subsidiary, the International Finance Corporation. Although full details of the purposes and functions of this organization have not been made known, it is expected that it will provide loans and equity capital in conjunction with private capital to foreign private enterprise without requiring the guarantee of the government of the country in which the loan is made or equity participation is taken.

The World Bank has done an outstanding job in its direct lending operations—and has been successful in attracting private participation with it. Although in the first instance International Finance Corporation will be of modest size, there is a good basis for expecting rapid expansion in its activities under the able leadership of World Bank management.

There have been two other recent developments that indicate first, that private capital may be becoming less timid, and second, that government is taking a more constructive view of private participation. The first is the Chase Bank's proposal for the formation of a private corporation to supply financing for purchase of equipment in this country, a function now performed largely by the Export-Import Bank, and the second is the study conducted by the Federal Reserve System, investigating the possibility of liberalization of laws governing commercial bank participation in foreign financing.

Acceptance by the Congress of the President's foreign economic policy may tend to clear the way further for the flow of capital abroad.

The President has recommended a sizable reduction in taxation of business income from foreign subsidiaries or foreign branches—removal of limitation on foreign tax credits, and the broadening of existing authority to guarantee against losses on new investment abroad. Largely along the lines of the recommendations of the Randall Commission, the President's program consists of four major parts: first, aid, which we wish to curtail; second, investment, which we wish to encourage; third, convertibility, which we wish to facilitate; and fourth, trade, which we wish to expand.

Again it may be premature at this stage to talk in terms of other than an insignificant flow of capital abroad in the immediate future, but if the favorable progress of the past two years continues there is good reason to expect that attractive foreign investment opportunities will become available in increasing volume. At least there is sufficient prospect of this to warrant the time and attention to the problem required of your committee to contribute whatever it can to the obviously desirable objective of encouraging substitution of private for governmental aid and investment on a sound basis.

We shall endeavor to keep you apprised of any major developments that we believe to be of interest to the membership of the Association in this field, and as soon as the proper machinery has been established, member firms will have an opportunity to examine specific proposals that originate with governmental agencies to the extent that they are interested in doing so.

Respectfully submitted,

FOREIGN INVESTMENT COMMITTEE

Robert H. Craft, Chairman
American Securities Corp., New York

Jean Cattier
White, Weld & Co., New York

Joseph T. Johnson
The Milwaukee Co., Milwaukee, Wis.

George Lindsay
Swiss American Corp., New York

William F. Machold
Drexel & Co., Philadelphia

H. Taylor Peery
Bank of America National Trust & Savings Association, San Francisco

K. P. Tsolainos
Baker, Weeks & Co., New York

John M. Young
Morgan Stanley & Co., New York

IBA 1955 Convention to Meet Again in Hollyw'd

The 1955 annual Convention of the Investment Bankers Association will again be held at the Hollywood Beach Hotel, Hollywood, Florida, from Nov. 27 to Dec. 2.

The spring meeting of the board of governors is tentatively scheduled for White Sulphur Springs, May 18-21, 1955, and the fall meeting at the Edgewater Beach Hotel, Chicago, September 16-17.

Texas Group IBA to Hold Spring Meeting

HOUSTON, Texas.—The Texas Group of the Investment Bankers Association of America will hold its 1955 Spring Meeting in Houston at the Shamrock Hotel, April 24-27.

Dick & Merle-Smith Admit

On Jan. 1, Dick & Merle-Smith, 48 Wall Street, New York City, members of the New York Stock Exchange, will admit Walter Nestel and Paul Arbon to partnership.

Will 1955 Produce a Boom or Bust In the Construction Industry?

Myron L. Matthews, Vice-President of The Dow Service, construction news reporters, states that the 1955 construction expenditure is expected to reach $39½ billions, but even this high figure will not attain statistical per capita parity with the 1920's.

Myron L. Matthews

Myron L. Matthews, Vice-President of The Dow Service Incorporated, New York construction news reporters, in answering the question, "Is the construction industry on a bender with a bust just around the corner?" estimates this year's construction expenditure will be 5% above 1953. And 1955 will, according to estimates, be 7%, more or less, higher than 1954—expenditure wise. At this rate, he says, 1955 will top 1950 by nearly 40%, and the $11.4 billion average of the booming '20s by about 245%.

These are United States totals, Mr. Matthews points out, and, except for local dislocations here and there, measure the pulse of the smaller geographic markets of which the total is the summation.

Dow Service construction cost indexes for 146 cities in the United States average an increase for the 1926-54, inclusive, of 125%. This means it would take $25.7 billion this year to equal the physical volume of bricks and sticks erected in 1923-29. However, notwithstanding reports to the contrary, it is a Dow Service belief that improvements in erection techniques, new materials and design and layout, assembles more bricks and sticks per 1954 dollar than did the 1923-29 dollar. The amount of credit to be ascribed to this influence is in doubt but certainly not to allow something would be unrealistic, open to censure, and to say that the industry has made no advance in the last 25 years. People who have lived construction know as an industry it has made advances. If the guestimate of this is 10%, today's equivalent of 1923-29's $11.4 billion is $24.2 billion.

The 1955 national construction expenditure is expected to reach $39.5 billion, is the belief of Mr. Matthews. He asks, "Does the difference between $24.2 and $39.5 billion, or $15.3 billion, constitute a boom? The population of the United States has increased since the '20s from 118 to 160 millions, or 35%. On a per capita basis construction expenditure has, in terms of 1954 building dollars, increased from $205 to $246 for every man, woman and child. The statistical equivalent of $205 is $277 and we are spending at the rate of $246, a difference of $31 or 12.6% more to get on a level with a quarter century ago. This indicates a 1955 construction expenditure of $44 billion is necessary to attain statistical per capita parity with the so-called roaring '20s. Even allowing for reasonable error in this status quo approach to an answer it is hard to see any evidence that construction is over-extended or in any immediate danger of a bust."

There are other economic factors which support the view that the per capita expenditure can go well above $300 before getting into the danger zone, maybe to $400 or $500, according to Mr. Matthews. Among these, in relation to the 1920's is the increase in the total working labor pool from some 35 millions to about 60 millions. This is a fantastic increase in the reservoir of people able to buy construction's product—shelter or facility—having potentials for expenditures for beyond those found in a mere per capita calculation. The increase in gross national product is another argument for raising the industry's sights when considering where the point of boom and bust lies. The increase in living standards, that is to say, the demand on the part of U. S. citizens for more and more of the finer things in housing and other forms of construction also spells a larger per capita potential. These few things are mentioned not to be all inclusive or to suggest that there are not some counter influences such as taxes, but to establish the line of thought that construction activity however wonderfully pleasant it is to people in or catering to the industry, has in no way arrived at a volume which needs be classed "boom," especially if the use of the word connotes "bust" and disaster. The industry is nowhere near that point. Boomlet? Possibly.

Notwithstanding all this, Mr. Matthews maintains, it's a good, strong, healthy construction market the U. S. is enjoying. It's the principal supporting factor of all industry and the national economy. It's going to continue to be so and to become an even greater factor in 1955. Maybe 1956, and on, but that's too far ahead to see.

What about 1955? The U. S. Departments of Labor and Commerce, Mr. Matthews points out, have jointly estimated recently that expenditure will be about $39.5 billion. Out of 38 categories, increases are expected in 29 and decreases in 9. This means that there will be the usual year to year shift in emphasis as between categories or types of buildings. For example, taxpayers' money in public housing which dropped 39% in 1954 will drop another 26% in 1955. This type of financing for industrial building will drop 33% adding to an 11% drop this year. Industrial construction where private funds are used will drop 8%, which is a slightly lower rate of shift than 1954's 10%. Farm construction is expected to continue its downhill slide by another 7% against this year's 10%. Railroad building will drop 13% more against 15% for 1954. Federal conservation and development expenditures will sluff-off another 6% vs. 13%. That's about the story on the decrease side.

Investment Company Progress and Problems

The IBA Investment Companies Committee, headed by Robert L. Osgood, calls attention to problems involved in "single package" sale of investment company shares and life insurance, as well as the proposal in New York for a law to permit formation of a so-called "variable annuity company." Stresses value of cooperation with the National Association of Investment Companies, and reveals rapid increase in programs for continuous investment.

The annual report of the Investment Companies Committee of the Investment Bankers Association was released to the Association by the Committee's Chairman, Robert L. Osgood of Vance, Sanders & Co., Boston, Mass., at the 43rd Annual Convention held in Hollywood, Florida.

The text of the report follows:

In the report submitted by your Committee last year, reference was made to the proposed formation of a Public Information Committee by the National Association of Investment Companies. Shortly thereafter, such a Committee was organized, an office was established and personnel was hired to work under the direction of Mr. Edward B. Burr, who was retained as director. In that the formation of this Committee represents such a departure from the former work of the National Association of Investment Companies, the nature of its activities should be of considerable interest to members of the Investment Bankers Association of America.

Robert L. Osgood

As was previously stated, the Committee is initially operating on an annual budget of approximately $100,000. Its scope will be limited to such efforts as educational work with the press, financial editors, publishers, educators, columnists, news commentators, librarians, colleges and various types of associations. In the short span of this Committee's life, a number of articles about investment companies have appeared or have been scheduled to appear in a number of magazines. Releases to the newspapers have been stepped up to a rate of two or three a month based upon the research and statistical work done under Mr. Burr's guidance. Valuable data regarding the investment company business is being gathered on a continuing basis. The first issue of a bulletin entitled "Topics," covering the investment company activities, has recently been sent to investment banking firms. This report will come out from time to time—perhaps three to four issues per year. A bulletin, "Investing Made Easy," has been written and is nearing publication. A good start has been made on the "Handbook of Investment Companies," which will be widely circulated among schools and colleges, etc. Many other projects, including a motion picture film, are currently being studied and will receive early attention.

Perhaps one of the most important accomplishments of this Committee so far has been to meet with the representatives of the Association of the life insurance companies to discuss common competitive sales problems. A joint statement of principles was developed and adopted on Sept. 21, 1954, which should lead to a cooperative and understanding attitude on the part of the investment company salesman and insurance salesman.

Legislative Efforts

During the year, an amendment was proposed and subsequently enacted in the State of Kentucky which specifically permits the purchase of investment company securities under proper standards by fiduciaries. Furthermore, the income tax law in Kentucky was revised to conform to Federal law and the authorities have interpreted this to include the tax treatment of capital gains distributions received by shareholders from investment companies. In addition, the Colorado tax law was amended to treat capital gains distributions of investment companies as capital gains of the shareholders rather than as ordinary dividends. Litigation to accomplish the same end has been started in Tennessee.

In our report of last year, we dealt at considerable length with the recommended changes in the Jenkins-Keogh Bills, which would enable partnerships, associations or even perhaps individuals to set up their own retirement plans. There has been no progress in the status of these bills in that they were not reported out of committee in the last session of Congress. Close attention continues to be paid to this possible legislation to the end that the securities business in general and investment companies in particular will have proper access to the investment of the substantial sums possible of creation thereby.

The Investment Companies Committee of the National Association of Securities Dealers continues its work with the SEC to change, by interpretation or amendment, some of the areas in the Statement of Policy that have proved to be the most difficult, and there is hope that something will be accomplished in this direction before long. This Committee has further agreed to work with the Investment Companies Committee of the National Association of State Securities Administrators and, as a consequence, is currently making a study of all resolutions adopted by the NASA since 1939 with the following in mind:

(1) To recommend retention of all regulations demonstrably in the public interest.

(2) To recommend elimination of any regulations not demonstrably in the public interest or required by just and equitable principles of trade.

(3) To recommend that regulations be condensed, simplified and made more understandable.

(4) To recommend that after this is accomplished, all of the good regulations be strictly enforced in all states and that investment companies be notified by such states that the regulations have, in fact, been adopted and are in force.

On Dec. 15, 1953, the Securities and Exchange Commission announced the adoption of revised forms N-8B-1 and S-5, the basic registration statement of management investment companies and the prospectus of open-end companies. Generally speaking, the purpose was and the effect has been to shorten and simplify the various forms by eliminating duplication and information not regarded as essential and to make the prospectus more readable.

Under the new Federal tax bill, stockholders of domestic corporations are permitted to exclude from taxable income the first $50 in dividends received and with respect to dividends in excess of $50, a credit of 4% against the tax itself. The investment companies under the Act are permitted to pass on to their shareholders the benefits of the exclusion and credit. Furthermore, if at least 75% of the company's gross income (excluding capital gains) is derived from dividends received from other corporations, the investment company shareholder will be allowed the exclusion and credit with respect to the full amount of dividends (other than capital gain dividends) received from the investment company, even though 25% or less of the company's income is derived from interest or sources other than dividends. If less than 75% of the company's income is from dividends, the shareholder's dividends eligible for the exclusion and credit will be pro-rated accordingly.

Programs for Continuous Investing

In the Report of last year, your Committee discussed the programs for continuous investing in rather general terms. Since that time, data has been gathered that indicates that investors now have a total of 192,000 such plans in effect representing a total investment value of $298 million or an average per account of $1,550. Over 53,000 new plans were started in the first 10 months of 1954. That this area of sales is growing rapidly is evidenced by the fact that accumulation plan sales of the third quarter of 1954 amounted to 10.3% of total sales.

Cooperative Educational Efforts

The National Association of Investment Companies became a member in the past year and contributes to the support of the Joint Committee on Education representing the securities industry which includes the Investment Bankers Association of America, the National Association of Securities Dealers and the Stock Exchange groups in New York. This Committee provides scholarships and on-the-spot tours and training in the financial community for students and professors.

Sales of Combination Insurance And Investment Company Plans

Within the past several years, a few underwriters in the investment company field have offered for distribution an insured plan of periodic purchase of investment company shares. Your Committee has been asked by the appropriate committee of the National Association of Securities Administrators to reach a decision on whether or not such plans should be supported or opposed by your Association. During your Committee's discussion of this problem, very honest differences of opinion were expressed and because there has been so little experience upon which to base judgment, no decision on either side of the question has been reached.

Variable Annuity

There has been a great deal of discussion recently concerning contemplated legislation in New York State which would permit the formation of a so-called Variable Annuity Company. Apparently, some insurance companies have felt that, in an inflationary period, the present type of annuity based on a fixed-dollar return does not fully answer the need of their policy holders. With this in mind, this new type company has been proposed which, instead of investing in fixed-income securities, will invest wholly in common stocks and the annuitant will receive payment in units of value rather than in fixed-dollar amounts.

If such legislation is introduced and subsequently adopted, the insurance company salesman would be able in effect to offer a diversified common stock investment but on a basis which would offer a very distinct tax advantage over direct investment in common stocks, in that under the tax laws income earned on annuity premium payments may be reinvested tax free during the life of the contract. In short, the beneficiary of an annuity could have common stock dividends reinvested tax free all during the life of the annuity contract and would, in the opinion of the proponents of the bill, be subject to taxes only on some portion of his annuity income when paid to him.

As a company, which would be subject to regulation only under insurance laws, the sale of common stocks in the form of an annuity would be exempt from all Federal and state securities regulation as well as regulation by the exchanges and the National Association of Securities Dealers. It would, therefore, be exempt, not only from the prospectus requirement, but also from the advertising and promotional restrictions applying generally to the securities business with which it would compete. In short the safeguards governing the sale of securities that have been established by Federal and State legislation for the protection of investors will be completely circumvented and therefore clearly not in the public interest or the interest of investors.

In the opinion of your Committee, such a proposal carries a very distinct threat, not only to the investment company industry, but to the entire investment banking business and the distribution of securities as the business is now conducted. Your Committee recommends that the individual members and the appropriate committees of the Investment Bankers Association watch this development closely and if and when such a bill is introduced that it be studied with great care. If any such bill should follow the lines indicated above, we would strongly recommend that it be opposed as not in the public interest.

Respectfully submitted,

INVESTMENT COMPANIES COMMITTEE

Robert L. Osgood, Chairman
Vance, Sanders & Company
Boston

Edward S. Amazeen
Coffin & Burr, Incorporated
Boston

Herbert R. Anderson
Distributors Group, Inc.
New York

Curtis H. Bingham
Bingham, Walter & Hurry, Inc., Los Angeles

W. Harman Brown
Investors Diversified Services, Inc., Minneapolis

Hugh Bullock
Calvin Bullock
New York

Dudley F. Cates
Kidder, Peabody & Co.
New York

Roy W. Doolittle
Doolittle & Co.
Buffalo

Charles F. Eaton, Jr.
Eaton & Howard, Inc.
Boston

John F. Egan
First California Company
San Francisco

Harper Joy
Pacific Northwest Company
Spokane

Paul A. Just
Television Shares Management Corp., Chicago

Walter L. Morgan
The Wellington Company
Philadelphia

Ludlow F. North
Robert W. Baird & Co., Inc.
Milwaukee

Amory Parker
The Parker Corporation
Boston

Guybert M. Phillips
Caldwell, Phillips Co.
St. Paul

Harry I. Prankard, 2nd
Lord, Abbett & Co.
New York

Myron F. Ratcliffe
Bache & Co.
Chicago

Robert O. Shepard
Prescott, Shepard & Co., Inc.
Cleveland

Charles M. Werly
Putman Fund Distributors, Inc., Boston

Filor, Bullard Partner

Filor, Bullard & Smyth, 39 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Richard A. Smith to partnership.

J. J. Harris Admits

Charles McGolrick will become a partner in J. J. Harris & Co., 11 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1.

In Attendance at IBA Convention

ABRAMS, JAMES S.
Allen & Company, New York
ACUFF, JOHN K.
Brooke & Co., Philadelphia
ADAMS, WELLES M.
T. Nelson O'Rourke, Inc., Daytona Beach
ADAMS, WILLIAM M.
Braun, Bosworth & Co., Detroit
AGEE, RUCKER*
Sterne, Agee & Leach, Birmingham
AHBE, JOHN L.
Distributors Group, Inc., New York
AHEARN, JOHN W.
Rockland-Atlas National Bank, Boston
ALDEN, Jr., WILLIAM O.
O'Neal, Alden & Co., Louisville
ALDRICH, GEORGE D.*
The Parker Corporation, Boston
ALEXISSON, GUSTAVE A.
Granbery, Marache & Co., New York
ALLEMAN, F. MONROE
Leedy, Wheeler & Alleman, Orlando
ALLEN, E. RAY
E. Ray Allen & Company, Chicago
ALLEN, HERBERT
Allen & Company, New York
ALLEY, WILLIAM M.*
A. E. Ames & Co., Inc., New York
ALLYN, ARTHUR C.
A. C. Allyn & Company, Chicago
ALLYN, JOHN W.
A. C. Allyn & Company, Chicago
ALTGELT, Jr., E. J.*
Harris Trust & Savings Bank, New York
AMAZEEN, EDWARD S.*
Coffin & Burr, Incorporated, Boston
ANASTASIA, A. A.
Wall Street Journal, New York
ANDERSON, DAVID F.
Muir Investment Corp., San Antonio
ANDERSON, EDWARD C.
Anderson & Strudwick, Richmond
ANDERSON, GEORGE W.
Anderson & Strudwick, Richmond
ANDERSON, HERBERT R.
Distributors Group, New York
ANDERSON, Jr., WILLIAM J.
Equitable Securities Corp., Nashville
ANDREWS, JAMES A.*
Andrews & Wells, New York
APGAR, LEROY H.
Harriman Ripley & Co., Inc., New York
APPLEGATE, A. LOWRIE*
Hulme, Applegate & Humphrey, Pittsburgh
ARMITAGE, ALBERT T.*
Coffin & Burr, Incorporated, Boston
ARMSTRONG, GEORGE H.
New York Hanseatic Corporation, New York
ARNOLD, H. WILSON*
Arnold & Crane, New Orleans
ARTHUR, GEORGE D.*
Cohu & Co., New York
ASCHER, H. ALBERT
Wm. E. Pollock & Co., New York
ASHPLANT, FREDERICK B.
F. B. Ashplant & Co., New York
ATKINS, J. MURREY*
R. S. Dickson & Company, Charlotte
ATWILL, Jr., WILLIAM
Atwill & Company, Miami Beach
ATWOOD, CHESTER A.
L. F. Rothschild & Co., New York
AUGUSTUS, ALBERT A.*
Ball, Burge & Kraus, Cleveland
AUSTIN, J. HOLLIS*
J. W. Tindall & Company, Atlanta
BAGGS, HENRY McK.
The Pennsylvania Company, Philadelphia
BAIRD, ANDREW M.
A. G. Becker & Co., Chicago
BAKER, HINES H.*
Humble Oil & Refining Company, Houston
BAKER, Jr, JOHN D.
Reynolds & Co., New York
BAKER, RALPH D.
James Richardson & Sons, Winnipeg
BALDWIN, ROBERT H. B.
Morgan Stanley & Co., New York
BANCROFT, E. M.
Stranahan, Harris & Company, Toledo
BANEY, ARTHUR L.
E. R. Jones & Co., Baltimore
BANKS, JOSEPH
Blyth & Co., Inc., New York
BARCLAY, HAROLD*
Barclay Investment Co., Chicago
BARCLAY, BARBARA ANN
Chicago
BARCUS, JAMES S.*
Barcus, Kindred & Company, Chicago
BARR, F. SEYMOUR*
Barr Brothers & Co., New York
BARRINGTON, CHARLES S.*
Harry Downs & Co., New York
BARROW, WM. RUSSELL*
Barrow, Leary & Co., Shreveport
BARRY, EUGENE P.*
Shields & Company, New York
BARTOW, Jr., FRANCIS D.
Bartow Leeds & Co., New York
BARTOW, PHILIP K.
Wood, Struthers & Co., New York
BASS, HUGH*
Keith Reed & Company, Dallas
BAUMAN, JOHN F.
The Milwaukee Company, Milwaukee
BAXTER, Jr., CHARLES M.
Baxter, Williams & Co., Cleveland
BAXTER, DANA F.*
Hayden, Miller & Co., Cleveland
BEAVER, GEORGE W.*
Schoellkopf, Hutton & Pomeroy, New York
BECHTEL, CHARLES C.
Watling, Lerchen & Co., Detroit
BECKETT, THOMAS*
First Southwest Company, Dallas
BEECROFT, HARRY*
Beecroft, Cole & Company, Topeka
BEISSNER, HENRY M.
Moroney, Beissner & Co., Houston
BENDER, ROBERT F.
Wachob-Bender Corporation, Omaha
BENNETT, CHARLES R.*
United States Investor, New York
BENNETT, Jr., EDWARD T.
Manley, Bennett & Co., Detroit
BENZING, WAYNE R.
Granbery, Marache & Co., New York
BERGMANN, CHARLES L.
R. W. Pressprich & Co., New York
BESSE, HARRY W.
Boston Stock Exchange, Boston
BISCOE, Jr., HOWARD M.
F. S. Moseley & Co., Boston

* Denotes Mr. and Mrs.

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Federal Price-Fixing Threatens America's Gas Supply

the face of rising costs and the risks involved.

The rise in costs is most noticeable in exploration and development of new reserves. The impact of inflation on costs of labor and materials, common to all industry, is only part of the problem. On top of that aspect, the gas producer's costs are being increased greatly by special conditions in the industry. In the search for oil and gas, an increasing amount of exploratory effort, a larger proportion of dry holes, the necessity of drilling a greater number of deeper, more expensive wells, and the discovery of smaller and poorer fields on the average are among the forces operating to make unit costs of replacement rise rapidly and be far greater than the amounts recovered from depreciation on the production developed in periods of lower costs and greater success. The industry's experience in exploration indicates a steady rise in the proportion of dry holes being drilled in the effort to expand reserves of oil and gas. Humble's own experience is evidence of the rising costs of drilling. The average well completed in the past three years cost more than four times as much as those drilled immediately prior to the war. (Chart II)

In the prewar period before the construction of many long lines, natural gas as a joint product of oil operations sold principally at by-product prices. Today with the profoundly increased demand for gas, the producer has come to realize that gas is not a by-product and that it must bear with oil its fair share of the cost of exploration, development, and production. Operations for oil will not bring forth the supplies of gas required. In recognition of these problems of costs in the replacement and development of reserves, the producer has realized the necessity for higher returns than enjoyed under old sales contracts.

Competition Protects Natural Gas Consumer

If the gas producing industry is left free to compete for fuel business at prices made in arm's length negotiation in a free market in competition with oil and coal and fully responsive to supply and demand forces, its objective would be to meet the demand at prices which fully protect the consumer.

In the face of this challenge and objective, the decision in the **Phillips** case raises the question as to whether the gas industry's objective of meeting the customer demand for gas at reasonable prices can be best achieved if natural gas producers are regulated as though they were public utilities with their selling price fixed by the Federal Power Commission. Is such price-fixing to the best interest of the consumer? Will the price be more reasonable? If the price is lower, for how long will it be so? Will this procedure give the consumer the supply he needs?

These questions naturally raise parallel questions as to how the producers of other commodities going to the American consumer are treated in this respect. Are these producers of other commodities regulated as public utilities? Are their prices controlled or fixed by public authority? If they are not, why not? How does the free competitive system work out in the case of these other commodities? What determines the producer's price of oil, coal, solid minerals, lumber, livestock, manufactured goods? Does the operation of the forces of supply and demand with prices determined by these forces in a free competitive market bring forth the supplies needed to meet demand?

Natural gas sold by the producer to interstate transmission lines and in turn to distributors is not the only commodity sold to public utilities for use in the performance of their service to the public. Producers of many commodities, raw materials, and supplies sell to such utilities. What is done about these commodities and supplies? For example, what about the coal, oil, or gas sold by the producer to electric power companies for fuel in the generation of electric energy? Or about coal supplied to the gas distributor for use in the production of manufactured gas? Or about coal, fuel oil, and diesel oil sold to railroads for fuel? Or about gasoline to air lines? What about cars, crossties, and rails to railroads; planes to air lines; generators, poles and wire, and equipment to electric power companies; line pipe and compressor equipment to gas transmission and distributing companies? Are their producers given franchises, or do they have the number of their competitors entering the business restricted, or are they given the power of condemnation? Specifically, is there any limit placed on the prices which any of the producers of any of these commodities, supplies, or materials may receive from the public utilities involved? Is the consumer served by these public utilities in position to have a public regulatory body fix the producer's price?

The answer to all these parallel questions, broadly, is that the producers of all these commodities and supplies operate as private enterprises in the American free competitive system. The government grants them no franchises. It does not restrict their competition. On the contrary, anti-trust laws have been enacted and enforced to guarantee free and fair competition. Their prices are established by the interplay of the forces of supply and demand in a free market where there is active competition among the sellers and among the buyers. These forces determine the price that will be adequate to attract enough producers and producer investments and activity into the business to bring forth the production required to supply the demand. Experience shows that such competitively determined price brings forth the supplies required, and that if the price becomes too high at any time, the supply outruns demand, thus correcting the prices downward.

In America, it is generally understood—yes, firmly established—that competitive enterprise stimulates production. It is on this account that we lead the world in creativeness and in production of goods and services in all lines—automobiles, household conveniences, and what not. We produce what the consumer needs and demands. Here is the reason for our high standard of living. It is the reason why our natural gas reserves have increased by more than 40% since World War II in response to the tremendous growth in demand.

The Danger of Socialization

To subject our producing industries to public utility regulations and price control is in the end to socialize them. This can only result in slowing down production.

Chart I

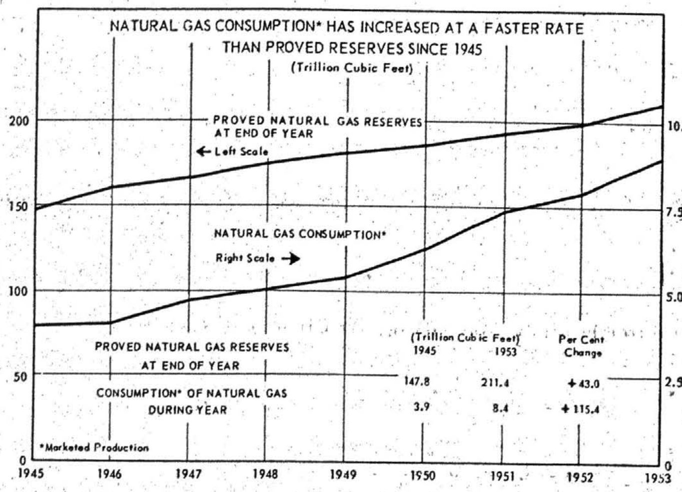
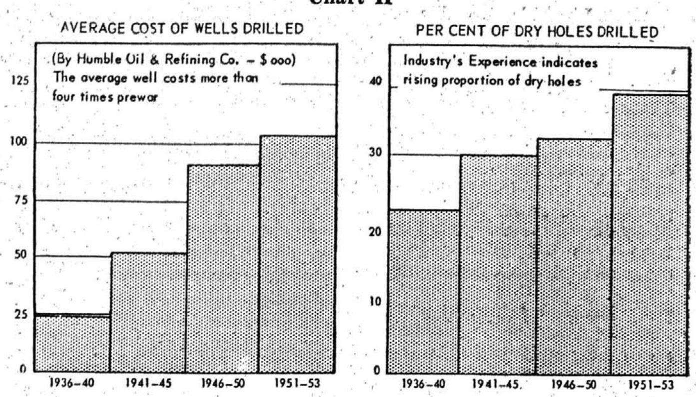


Chart II



It will not result in the supplies required. We have only to look at the experience of Great Britain in recent years to realize the consequences of such a course. And if this is not enough, look about at home and recall the ills of price controls in World War II and the Korean War, and recall how industry responded in production and growth following their withdrawal.

Now, is there a difference between the producer of natural gas and the producer of all other commodities and supplies that makes it desirable in this case alone to depart from our established and accepted competitive enterprise system? Wherein does he differ basically from the producer of coal, or oil, or lumber, or solid minerals, or cattle, or sheep, or the other products of the soil, or the products of the factory — machinery, equipment, textiles, household goods? Is the operative effect of free competition different among gas producers from what it is among producers of all other commodities? Will not price be determined by the same forces? Does the consumer need protection against the natural gas producer's price that he does not need against the price of all other producers' commodities he uses? Will not active competition among gas producers, and active competition among the producers of gas, coal, oil, and other fuels protect the gas consumer against an unduly high producers' price? Will fixing the natural gas producers' price at some level below what the competitive price would be affect his supply differently from what the same procedure with the prices of other commodities in the hands of the producer or manufacturer would affect their supply? Will such a low price tend to bring forth more or less gas? Are the interaction of supply and demand on price, or the effect of price on supply and demand, any less effective in the case of natural gas than of other commodities? If not, is it less desirable that these forces be operative and effective as to gas than as to other commodities?

Your answer to these questions, which raise fundamental issues, will no doubt be the same as mine. For all freely competitive industries, the operating forces and principles are the same. Production of natural gas is no exception. I find no reason for different treatment of the natural gas producer. It must be recognized, of course, that the gas producer has two situations peculiar to him: (1) in general, he cannot deal directly with consumers but sells to intermediary transmission lines or to distributors, who are public utilities; (2) he is confronted with the custom of long-term contracts. However, competition among natural gas producers and competition of gas with coal and oil are no less effective on account of these situations.

From the consideration of this matter, it seems clear that the regulation of gas production as though it were a public utility and the fixing of the producers' price by the Federal Power Commission, if pursued, will prevent achievement of the objective of the natural gas industry.

This can be better understood by an examination of results to date under competition without price-fixing and the results that may be expected in the light of logic and experience under public utility regulation and price-fixing.

Up to this time, the gas producing industry has operated under free competition as a highly competitive business. It has met a rapidly growing demand. In 1945, it supplied 4,100 trillion BTU's of gas, or 13.5% of the mineral energy consumed in the country; in 1953, it supplied 8,700 trillion BTU's, or 23.7%. In 1920, its part of the country's mineral energy consumption was only 4.4%. The Charts [Nos. III and IV] on energy consumption will disclose how the industry has performed in the matter of supply. The number of natural gas customers of utilities increased from about nine million in 1945 to nearly 20 million in 1953.

Chart III

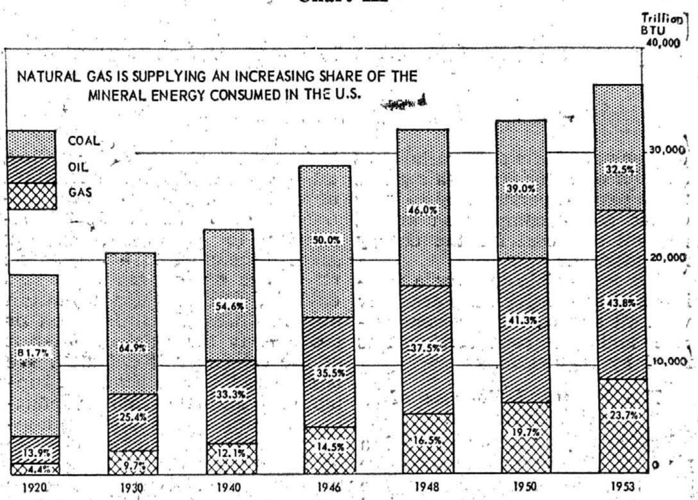
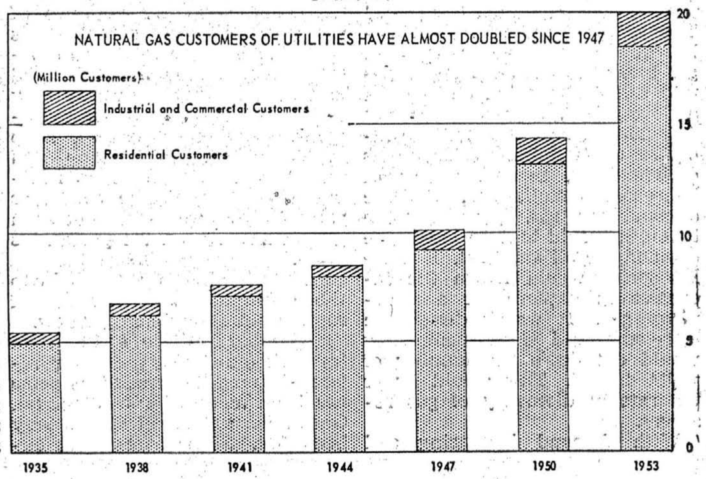


Chart IV



The Retail Price Level of Natural Gas

When the relative prices of gas, coal, and oil and the changes in prices are considered, this growth in demand for gas is easily understood. The retail price of natural gas today is only slightly higher than it was in 1939, while the price of coal and heating oil have more than doubled. Notwithstanding its cleanliness, convenience, and greater efficiency, gas is being sold to consumers at retail in many large cities, including some in the coal producing states, at a lower price per million BTU's than heating oil or bituminous coal. In 1953, it was sold in the field by the producer at an average price equal to about one-fourth the price of fuel oil at Gulf Coast refineries and about two-fifths the price of bituminous coal at the mine. (Chart V)

The producer's price for gas in the field is about 10% of the retail price to the residential consumer. The average field price, I am convinced from our studies, is below the cost of production under any accurate accounting which fairly allocates or divides the costs of exploration and production between oil and gas, which are jointly explored for and produced. (Chart VI)

These facts show a fulfillment of the purpose of the gas producing industry to meet demand at reasonable prices. But they pose a problem of supply as previously shown, because the increase in consumption is out-running the increase in proved reserves. Flexible prices responsive to changes in supply and demand under competition in a free market are required to bring forth the supplies needed. To replace the gas produced will require increasing exploration and heavy investments in leases, wells, and equipment. The returns must be attractive to induce the producer to take the risks involved and make the investments required.

It must be recognized that in the long run the consumer's interest and the producer's interest are mutual. They must both live. The consumer must pay a price that will attract sufficient investment to bring forth needed supplies. The producer must sell at reasonable prices. Otherwise, the consumer will secure his gas supplies from other producers through the intermediate transmission lines and distributors, or will turn to coal or oil or other sources of fuel. Competition balances these interests over the long pull.

Look now at operations under regulated prices. Is the Federal Power Commission, or any regulatory agency, wise enough to perform this balancing of interests as effectively as can all the buyers and sellers in the interplay of the forces of supply and demand in the free market? No, it is not that wise. The facts are too difficult to ascertain with the great number of people and transactions involved; and no princi-

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Federal Price-Fixing Threatens America's Gas Supply

ples or yardsticks are available as a sound basis for fixing fair prices to all parties, particularly in view of the active competition among gas, oil and coal for the energy fuel market.

It is impossible to have a flexible and responsive fuels economy with oil and coal freely competitive and gas producers' prices fixed by regulation.

The Presumed Purpose of Price Regulation

Presumably the purpose of a plan to fix the producer's price of gas is to establish it somewhere **below** what would be established by competition. What are the effects of such regulated **low** price? The sharp increase in the number of customers and volume of gas marketed in the postwar period shows the effect on demand of low prices. So it is clear that such **low** price would tend to increase the number of customers desiring gas, the number of household installations, and the demand for gas. By the same token, it would tend to lower the demand for oil and coal. But the low price would lessen the incentive to explore for and develop gas. It would discourage discovery and development. It would cut down the number of wells drilled. This would lower the rate of discovery of gas reserves.

With demand increasing and the rate of discovery decreasing, after a time a definite shortage of gas occurs. This forces the distributor either to prorate his deliveries to customers, causing great discomfort to homeowners, or to cut off certain customers entirely, forcing them to install new facilities and shift to oil or coal. Thus the primary interest of the consumer is defeated. He is deprived of a dependable supply; and the household or industrial consumer who has been hoping, by extensions of service, to become a gas consumer is doomed to frustration. Furthermore, as the supplies diminish, and the transmission lines and distributors handle smaller volumes of gas, their unit costs increase. This forces an increase in rates to offset lower volume and increased unit costs so that the utility may receive a fair return on its investment. In this connection, keep in mind that transmission and distribution costs make up nine-tenths of the average consumer price and only one-tenth of such price derives from the producer's price.

In the end, the net result to the consumer is a shortage of supply and an increase in rates.

Some part of the effect on transmission lines and distributors of fixing the producer's price has been mentioned; but not all. One important effect has already been felt. Such price-fixing encourages **intrastate** sales and discourages **interstate** sales. Except where already obligated by contract or forced for conservation purposes or because of drainage, few producers are willing to be singled out for regulation as though they were utilities and to submit to price-fixing. Many trades under negotiation at the time of the **Phillips** decision have been dropped. It is inevitable that industries will move to the southwestern states in order to secure gas as fuel. A large industrial plant may consume more gas than all household users in a large city. All in all, the probable effect of the regulation of the producer's price on the transmission lines may be briefly summarized: It prevents the expansion to new trade areas and industries, and kills the growth of interstate transmission business; it lowers the load factor, increases unit costs, and reduces revenue; it will ultimately force applications for higher rates to offset loss of revenue and higher unit costs.

The effect on the distributor is much the same. His problems are increased manyfold, however, because of the millions of customers involved. He faces customer dissatisfaction, public relations difficulties, and regulatory and rate problems. And in the end, he faces serious financial problems.

The Basic Question

This matter is basically and fundamentally a question of the means of securing an adequate and dependable supply of gas for the future. That should be the principal concern of the consuming public. It is already the pressing concern of the producer. It is the big problem of the transmission and distributing branches of the business. It should command the interest and attention of all those who are the suppliers of line pipe, compressors, and other equipment for these branches as well as gas equipment for industrial and household consumers. Those investment bankers who finance any of these industries so directly affected in the way discussed here, or who advise them in financial matters, are no doubt keenly interested and somewhat concerned.

If experience proves anything in business, it proves that the best way to get an adequate supply of commodities is to guarantee a free competitive economy. That has been shown in all lines of production here and abroad. Natural gas production is no mystery business operating by magic. It obeys the same economic laws as the businesses of producing all other commodities.

Furthermore, if the natural gas producer becomes subject to regulation as though he were a public utility, and if he must sell his product at a price fixed by a Federal regulatory agency, what producer of oil, or coal, or solid minerals, or cattle, or products of the soil, or steel, or automobiles, or manufactured supplies, or other commodities can feel that he will long be safe from similar price-fixing? This first step is but the beginning of a series of similar steps to cover producers of other commodities. It is therefore necessary to prevent the first step from becoming effective. Those who are directly affected must take the lead in bringing about an understanding of the situation and in securing corrective legislation.

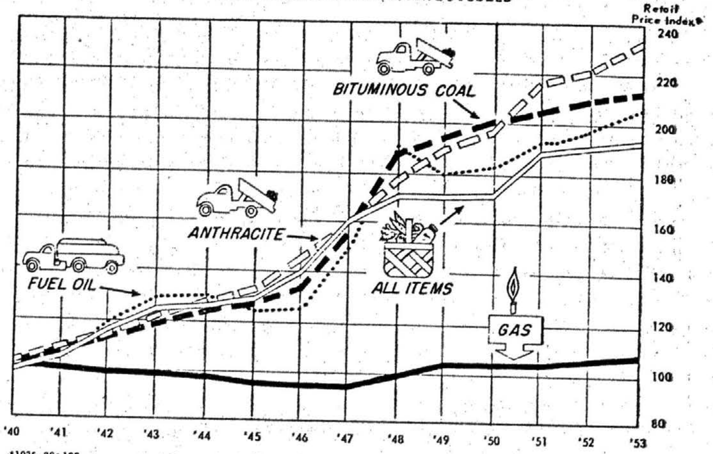
In the enactment of the Natural Gas Act in 1938, Congress well understood that the functions of producing and gathering gas differ from the utility function of interstate transmission. It expressly exempted production and gathering. And when some were insisting that the Federal Power Commission had the right to fix the producer's price, Congress passed the Kerr Bill in 1950 (vetoed by President Truman) expressly denying such right. This reaffirmed its original intent and purpose. Likewise, from the date of enactment of the law, and at all times prior to the Supreme Court decision in the **Phillips** case, the Federal Power Commission, as the administrative agency under the Act, consistently held that it was not authorized by the Statute to regulate the field prices of the independent producer. Only recently, in the **Panhandle Eastern** case, it has recognized competitive field prices in fixing the commodity value of gas produced by an interstate transmission line. Now for the first time, after 16 years of operation under the Act, it is held to enpower the Commission to fix the producer's price.

The only sure way to remedy the situation is for Congress to pass corrective legislation. The corrective legislation required is amendment of the Natural Gas Act so as to make it doubly clear that the Act does not apply to the production and gathering of natural gas, or to the treating or processing prior to sale by the producer, or to the sale of such gas by the producer or gatherer in or within the vicinity of the field where produced, or to the price received from such sale. Also, so that all producers may be freed from price-fixing, the Act should be amended so that the interstate transmission lines subject to the Act will be allowed rates which reflect the fair commodity value in the field of natural gas produced by them or their affiliates.

This legislation is in the interest of the consumer, the producer, the transmission lines, the distributor, those who provide equipment and supplies to these, and those who finance them. It will encourage exploration for natural gas and the production and marketing of gas to meet consumer demand at reasonable prices established by competition in the free market. It is in the public interest, and merits full support.

Chart V

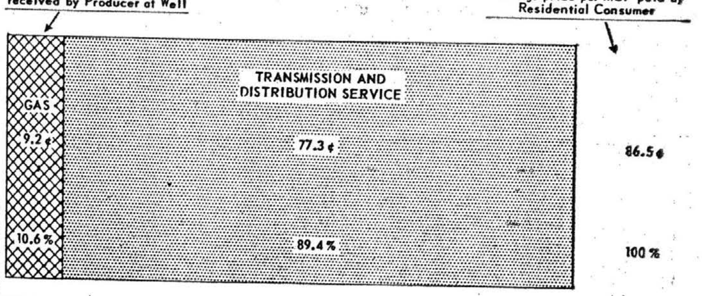
RETAIL GAS PRICES HAVE REMAINED ALMOST THE SAME WHILE COAL AND HEATING OIL PRICES HAVE DOUBLED



*1935-39=100
Source: Gas Facts 1953, American Gas Association

Chart VI

THE PRODUCER RECEIVED ONLY A SMALL PART OF THE PRICE PAID BY THE RESIDENTIAL CONSUMER IN 1953



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Developments In Municipal Field

subject was adopted by the Section of Municipal Law:

"*RESOLVED*, That the model bill to authorize the execution of large issues of State and Municipal Bonds, submitted by the Liaison Committee, be approved and the Chairman of the Section be authorized to request the Committee on Uniform State Laws and other organizations to bring it to the attention of the legislatures of the several States."

Such a bill was enacted this year in Louisiana. That measure, however, specified a minimum amount of $5,000,000 instead of $10,000,000.

Nuisance Suits

Another item discussed at our Hollywood meeting a year ago and again at our May meeting was a proposal intended to meet situations which for a long time have been causing, in an increasing way, serious concern among those interested in municipal financing. As pointed out in our Report on the subject in May marked difficulties have resulted through such suits. The mere filing of a suit, regardless of its merits, questioning the validity of the bonds which a public body proposed to issue is sufficient to delay and possibly thwart the efforts of the public body to proceed with needed improvements. As we all know, the fact that litigation is pending will frequently deter investment bankers from purchasing securities.

A model form of procedure was developed by the Municipal Law Section of the American Bar Association. It would, upon enactment by the states, authorize the issuer of bonds to file in an appropriate court a petition seeking validation of the bond issue. Any person interested would be entitled to appear in the proceedings and contest the validity of the bonds, taxes, revenues pledged for their payment or other features.

Upon the filing of the petition a public body may request a court order enjoining the institution of any other suit involving the validity of the bonds, taxes, revenues or the validity of the act creating them. The court may also order a joint hearing or trial before it of such issues in any actions or proceedings then pending in any court of the state and may order the consolidation of any such actions or proceedings. It is also intended to prevent the institution of any new suits after the commencement of the validation proceedings. The Court could declare a party in contempt who may start proceedings in any other court in the state while the validation is pending and after a decree validating the bonds becomes final.

The following resolution was adopted at the Annual Meeting of the American Bar Association on Aug. 17 by the Section of Municipal Law:

"*RESOLVED*, That the bill to check the filing of nuisance suits submitted by the Liaison Committee, be approved and the Chairman of the Section be authorized to bring it to the attention of the Municipal Finance Officers Association of the United States and Canada, the National Institute of Municipal Law Officers, and other organizations interested in the subject."

The form of the model bill is too lengthy to include in this Report. Copies of it may be obtained, however, upon request to our Municipal Secretary, Dudley Smith.

The Virginia Legislature adopted this year, and the Governor signed, a measure modeled very largely on the above bill. Reference to the Virginia measure appears in the Legislation Appendix to this Report.

Volume and Market

The continued large volume of municipal bonds issued is of interest. The amount put out during the past three years, including long and short-term bonds, will approximate $25 billion. Last year the total was about $8⅓ billion and this year present indications are that it may exceed $10 billion. The purchase and effective distribution of this volume of municipal securities reflect the ability of the investment banking fraternity to fully meet the underwriting needs of our states and their subdivisions.

Despite the weight of new issues during this period prices have shown very small fluctuation except for one period during the spring and summer of last year. During the past two years the yields as shown by the "Bond Buyer's" Market Index for twenty municipalities reflected the following as of the last Thursday in each of the months indicated.

1952—		
Oct.	30	2.38%
Nov.	27	2.37
Dec.	31	2.38
1953—		
Jan.	23	2.46
Feb.	26	2.63
Mar.	26	2.65
April	30	2.68
May	28	2.81
June	25	3.09
July	30	2.92
Aug.	27	2.90
Sept.	24	2.86
Oct.	29	2.69
Nov.	26	2.60
Dec.	30	2.58
1954—		
Jan.	28	2.46
Feb.	25	2.39
Mar.	25	2.43
April	29	2.49
May	27	2.51
June	24	2.41
July	29	2.26
Aug.	26	2.26
Sept.	30	2.35
Oct.	28	2.33

Highways

Contributing in good part to the volume of tax free financing are issues put out for highways—toll roads and others. We understand that in June of this year the Bureau of Public Roads estimated the cost of the needed highway construction program in the United States at between $45 billion and $55 billion. However, that Bureau has more recently raised this estimate to over $101 billion. Under the heading, "Highway Problems in the United States," the U. S. Bureau of Public Roads issued the following:

Mileage of all public Streets and Highways:

1941	3,309,000
1953	3,348,000

Annual Vehicle-Miles of Travel:

1941	333,396,000,000
1954 (est.)	557,000,000,000
1965 (est.)	814,000,000,000

Motor Vehicle Registrations:

1941	34,894,134
1954 (est.)	58,129,000
1965 (est.)	81,000,000

Preliminary Estimate of the Total Construction needs for all streets and highways through 1964: $101,365,000,000.

Portion of these needs expected to be met with funds estimated to be available through 1964: $46,800,000,000.

As you know, there was recently appointed a "President's Advisory Committee on a National Highway Program." Those appointed to that Committee are reported to be:

General Lucius D. Clay, Chairman, Chairman of the Board, Continental Can Company, Inc.; Stephen Bechtel, construction company executive, San Francisco; David Beck, President, Teamsters' Union, A.F.L.; S. Sloan Colt, President, Bankers Trust Company, New York City; and William A. Roberts, President, Allis-Chalmers Manufacturing Company, Milwaukee.

The findings of this Committee have not been made public at the time of this writing. Developments in this program will probably be such, however, as to permit informative advices on the subject in our Interim Report next Spring.

Advertising Municipal Securities

Beginning in 1950, and each year since, the "Bond Buyer" has conducted a municipal advertising contest. As stated in our previous reports, this contest is in active support of that part of the program of our Education Committee related to advertising securities. Its purpose is to arouse interest and develop effective advertising methods.

A committee appointed by the "Bond Buyer" consisting of Robert R. McKee, Account Executive, Doremus and Company; Upton E. Liptrott, Vice-President of the "American Banker" and William S. Shanks, Vice-President of the "Bond Buyer" will determine a winner for 1954. As in the past, announcement of this winner and the presentation of a suitably inscribed certificate and $100 will be made at this Convention. [The award for 1954 was made to the *Northern Trust Co., Chicago*.—Editor.]

Previous winners were:

1950—Ira Haupt & Co., New York.

1951—The Northern Trust Company, Chicago.

1952—Braun, Bosworth & Company, Toledo.

1953—The Northern Trust Company, Chicago.

In order to qualify for entry it is not necessary to submit an advertisement which has been published in the "Bond Buyer" or any

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Developments in Municipal Field

other publication. It may be especially prepared for this contest. As many advertisements as each contestant wishes may be entered and entries are not limited to members of our Association but are open to all.

Court Decisions and Legislation in the States

Appended to this Report are brief references to various court decisions rendered and legislation enacted in the states during the year. There were several of importance and interest to the municipal trade in both categories. Your attention is directed to these decisions and enactments—Court Decisions, Appendix 1, and State Legislation, Appendix 2.

Respectfully submitted,

MUNICIPAL SECURITIES COMMITTEE

Orlando S. Brewer, Chairman
Phelps, Fenn & Co.
New York

LeRoy H. Apgar
Harriman Ripley & Co., Inc.
New York

H. Wilson Arnold
Arnold & Crane
New Orleans

Henry M. Beissner
Moroney, Beissner & Co.
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Pohl & Company, Inc.
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Coughlin and Company
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A. Webster Dougherty & Co.
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Clark, Dodge & Co.
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Lewis & Company
Jackson, Miss.

W. Wilson Lewis
Foster & Marshall
Portland, Oreg.

Joseph M. Luby
Barret, Fitch, North & Co.
Kansas City

Frank L. Lucke
Laidlaw & Co.
New York

Edward D. McGrew
The Northern Trust Company
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Sidney J. Mohr, Jr.
Thornton, Mohr and Farish
Montgomery

Russell J. Olderman
Olderman, Asbeck & Co.
Cleveland

Philip J. Rhoads
First National Bank & Trust Company, Oklahoma City

Russell C. Schuler
The First Boston Corporation
Philadelphia

George B. Wendt
The First National Bank of Chicago, Chicago

APPENDIX 1

Court Decisions

As stated in the report, references are made in this appendix to certain court decisions, handed down during the year, considered of general interest to the municipal trade or of special significance locally. The following comments are based upon the Committee's understanding of the situations and are for reference purposes only. Counsel should be consulted in each instance for specific information.

IOWA

An important decision relating to issuers of municipal bonds and approving legal opinions was handed down on Sept. 31 this year in the Ninth Judicial District Court of Iowa in a case (Equity No. 54406-99) the Committee on the Unauthorized Practice of Law, plaintiffs, v. Carleton D. Beh Co., et al., defendants.

The Court said in part:

"That the parties are entitled to have a definition of what does and what does not constitute the unlawful practice of law by the defendants and provisions concerning the employment of attorneys to represent the respective parties to such contracts between defendants and the respective municipalities."

The Court also said as a part of its conclusion that:

"It is the settled rule of law in this state that in responding to a notice offering municipal bonds or securities for sale, any bidder is not precluded from attaching the condition that its bid is subject to the condition that the municipal corporation will furnish the bidder full certified copy of records of all proceedings had preliminary to and authorizing the issuance of said bonds or securities, necessary to satisfactorily evidence their legality to the bidder's legal counsel, and where in such instance, the bidder's counsel disapprove of the bond or security issue, the bidder can withdraw the bid, and recover its deposit, providing such disapproval is not fraudulent, capricious or in bad faith."

There were 14 other conclusions reached by the Court, also several orders issued. The decision is too lengthy to include in this Report. We, accordingly, refer those interested to the decision itself or to their bond counsel.

KENTUCKY

The Court of Appeals of Kentucky, in the case of Guthrie v. Curlin, handed down a decision on Dec. 18, 1953—Volume 263 S.W. (2)—holding that the Highway Department might legally agree to maintain the roads from funds other than tolls, if the tolls should prove to be insufficient to cover principal and interest with something to spare. Earlier this year about $38,500,000 of revenue bonds were sold for the toll road running from Louisville to Elizabethtown.

LOUISIANA

The Supreme Court of the State of Louisiana handed down a decision this year which has to do with the Greater Baton Rouge Port Commission. This Commission was created as an Executive Department of the State of Louisiana by virtue of Act 9 of the Regular Session of the 1952 Legislature of Louisiana. The Act was adopted and approved by a majority of the voters of the state as an amendment to Article 6 of the Constitution by adding thereto Section 29. We understand that the Court holds that the proper construction of Act 9 of 1952 is that the bonds to be issued by the Commission constitute general obligations of the State of Louisiana, and that the order in which revenues shall be applied to the payment of those bonds is merely a matter of internal fiscal management. The Court also stated that the State is the only primary obligor provided for in the constitutional amendment and the true and proper interpretation of this provision of Act 9 of 1952 is that between the State of Louisiana and the holders of the bonds, or notes, the State is the primary obligor and the holders of the bonds or notes are entitled to look to the State for the principal and interest thereof.

APPENDIX 2

State Legislation

The legislatures of 13 of our states met in regular session during the year and there were special sessions in some of the states. Referred to below are enactments during that period affecting municipal financing, considered of general interest to the municipal trade or of special significance locally. The comments are based upon the Committee's understanding of the legislation. For complete information reference should be made to the full text of the measures.

CALIFORNIA

The 1954 session of the California Legislature was, as is usual in even years, a special session of that body. It was confined to budgetary problems. Accordingly, there was not the usual number of bills up for consideration which would affect our industry.

Formerly Section 25602 of the California Corporations Code (Corporation Securities Law) required that no company, broker, agent or other person shall use any advertisement concerning any security sold or offered for sale by it unless a copy of the advertisement had been filed with the Corporation Commissioner at least one day prior to its use. This requirement in many instances hampered the offering of governmental securities and impaired the orderly process of marketing them.

We understand from the California Group Municipal Securities Committee that with the very able assistance of Mr. George Herrington of Orrick, Dahlquist, Herrington & Sutcliffe of San Francisco, widely known municipal bond attorneys, a bill was introduced in the State Legislature to relieve the situation by amending the Section to exempt any advertisement "concerning only securities issued or guaranteed by the United States of America, or any territory or insular possession thereof, or by the District of Columbia or by any state, territory, county, municipality or taxing district therein." This bill was passed by the Legislature and signed by the Governor prior to the adjournment of the Special Session.

We are informed that there have been recurring problems resulting from numerous political entities in the State endeavoring to construct capital improvements through a lease-purchase program. While there are many ramifications to the types of loans thus proposed, they are all similar in that a long-term contract is entered into by the public body, leasing said improvement for periods ranging up to 30 years. Further, and probably of even graver significance, is, we understand, that the residents and taxpayers of said cities, districts, etc., have no voice in the incurrence of such long-term debt for capital improvements.

It is recognized that in some units the bonding capacity has been reached. We are advised, however, that these are relatively few in number. Nevertheless, dealers are confronted almost weekly with advices that certain cities, school districts and even counties are contemplating such methods of acquisition of new facilities.

At this year's Special Session a bill was introduced authorizing such procedure for various schools in the County of San Mateo, which adjoins San Francisco and which is one of the most important and prosperous counties in the state.

Our local Municipal Securities Committee and other informed bodies protested the enactment of the measure. It was pointed out, such a law would in effect permit the incurrence of non-voted debt. Further it would apparently allow the commission of contracts without public bids and open competition which has been stated procedure for all public bodies for many years. It is believed that such legislation would practically abrogate the constitutional safeguards which have been the bulwark of municipal credit.

In view of the serious character of the proposal there were, among others, in attendance at the Legislative Committee's hearings at Sacramento, representatives of the following groups:

Counsel for the California Group of I.B.A.

The California Taxpayers Association.

The State Chamber of Commerce.

The Los Angeles Chamber of Commerce.

The San Francisco Chamber of Commerce.

The major public utilities.

Counsel for the commercial banks.

The San Francisco Bay Area Council.

Following the hearings the bill was referred to an interim committee for further study with a report to be made next year.

At the general election held on Nov. 2 two constitutional amendments of interest to our business were adopted; one authorizing $175 million additional Veterans' Aid Bonds and another authorizing $100 million additional State School Aid bonds.

Another proposed amendment to the constitution which would have authorized partial usage of the Motor Vehicle Department tax and license fees for construction of off-street parking facilities was defeated.

Still another proposed amendment was also rejected by the voters. Broadly speaking, it would have provided for an increase for the needy aged of the state from the present $80 monthly maximum payment to a constitutionally fixed $100 per month. Further aid might have been given above that amount under certain provisions. It is estimated that the measure, if approved, would have cost substantially more than $70 million per annum above and beyond that which is already paid. We understand that of the additional $70 million approximately $10 million would have had to be borne by the counties through an increase in their general property taxes with the balance to be contributed by the state.

LOUISIANA

At the general election on Nov. 2, this year, the voters of Louisiana voted down a constitutional amendment, Act 758, which would have prohibited the State Legislature from issuing bonds without submission to the people of the State.

NEW YORK

At this year's session of the New York State Legislature the Savings Bank Investment Law of the State was amended—subdivision (g) Section 235—to provide that municipal revenue bonds issued for certain purposes and meeting certain requirements would be eligible. Briefly, the amendment provides that obligations of any duly constituted public body payable out of the revenues of a public utility system providing water, electric, gas or sewerage service shall be eligible. When located outside of New York State the utility must serve an area having a population of not less than 100,000 and the issuing entity shall be legally obligated or covenant to provide net revenues after operation and maintenance sufficient to provide for the debt service on the bonds. The issuing entity shall have had net enarnings during each of the five years immediately preceding the investment sufficient to cover all debt service and the net earnings available for debt service for the year immediately preceding the investment shall have been sufficient to meet the maximum annual debt service of all obligations outstanding, and that the obligations shall not have been in default as to principal or interest.

At the general election on Nov. 2 the voters of New York State authorized the issuance of $350 million Mental Hospital Construction bonds and $200 million Slum Clearance bonds.

VIRGINIA

House Bill No. 531 in amended form was enacted by the Virginia Legislature and signed by the Governor the forepart of this year becoming Chapter 314 of the laws of that State. We understand this Act was passed primarily because of the long drawn out validating proceedings in certain Virginia issues. The purpose of the Act being to materially speed up the procedure in the courts in connection with contested bond issues in the State. Reference to this subject of suits against authorized issues of municipal securities will be found in the body of this Report.

By Act of the Virginia Legislature this year there were created two turnpike authorities. One, the Old Dominion Turnpike Authority for the construction of a road across the western part of Virginia connecting with the West Virginia Turnpike at, or near Bluefield, Va., across the State to a point near Mount Airy, N. C. The other, the Richmond-Petersburg Turnpike Authority for the construction of a road just north of Richmond to the south of Petersburg. It is estimated that the Old Dominion Turnpike will cost about $100,000,000 and the Richmond-Petersburg Turnpike about $57,000,000.

The Legislature also passed a bill outlawing the creation of private turnpike corporations such as has been proposed in Virginia and in Texas.

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New Growth Factors In Canada's Economy

rean conflict and the need for rearmament. At the end of the war, Canada and the U. S. were faced with a substantial backlog of demand for goods and this demand was backed in both countries by a large volume of accumulated savings.

A comparison of postwar growth is shown in Table II which gives figures of gross national product, industrial production and employment from 1946 to 1953, as well as the quarterly figures for 1952, 1953 and the first three months of the current year. It will be noted that, in terms of constant dollars, production increased by 34% in Canada and by 29% in the U. S. between 1946 and 1953. At market prices, production increased substantially more in Canada than in the U. S., reflecting a greater rise in prices in Canada than in the U. S., where prices had advanced more rapidly during the war. The volume of industrial production shows about the same rate of increase with 45% and 49% reported for Canada and the U. S. respectively.

Against this substantial increase in physical output employment rose by 12% in the U. S. and by 13% in Canada, the smaller rate of advance giving a good indication of the growing rate of output, or increased productivity, per employed person. Personal income gains in both countries in the postwar period have been substantial. In terms of real income, i. e., adjusted for the rise in prices, the gain has been greater in Canada than in the U. S., as can be seen from the following figures:

Rise Between 1946 and 1953

	Canada	U. S.
Personal income	85%	60%
Average hourly earnings in mfg.	94	63
Consumer price index	49	37

One common factor for Canada and the U. S. in recent months has been the maintenance of a high aggregate of personal income despite reduced production. This remarkable achievement, which has no precedent in the economic history of this continent, can be attributed to the continued influence of higher wage rates, lower taxes and increased social security payments.

Over the period 1946 to 1953 there has been, both in the U. S. and Canada, a substantial aggregate rise in consumption. On a per capita basis, the volume of consumers' goods and services absorbed by Canadians was 5% higher in 1953 than in 1946 and 56% higher than in 1939. Gains in the U. S. were 7% and 41% from 1946 and 1939 respectively. In recent months while expenditure on services continued upwards in both countries and while there was relatively little change in expenditure on non-durable goods, there was a significant decline in expenditure on durable goods which had made the more rapid advance throughout the postwar years.

One sector of the economy which shows a marked difference in the rate of development in Canada and the U. S. is that of investment in capital facilities. Growing requirements for Canada's basic resources as well as technical improvements in locating and exploiting these resources gave an impetus to a heavy postwar investment program which took place in a favorable climate of growing population and buoyant personal income. Allowing for price changes, the Canadian private investment program was 94% higher in 1953 than in 1946, as compared with a rise of only 48% in the U. S. As a proportion of gross national product Canada's investment program rose from 11% in 1946 to 15% in 1953 while that of the U. S. rose only from 12% to 13%. In Canada there has been a steady expansion of construction activity; in the U. S. such activity, while continuing to rise, has shown a reduced rate of growth since 1951.

Another differnce between economic trends in the U. S. and Canada is to be found in the different treatment of inventories during the 1949 and 1953 recessions. After the war a considerable building up of inventories had taken place to fill up the pipe lines depleted during the war. In 1949 a substantial liquidation of inventories took place in the U. S., while in Canada there was no such liquidation but only a falling off in the rate of inventory accumulation. Heavy building up of inventories started again in both countries after the Korean outbreak, to be followed later in 1953 by substantial liquidation in the U. S. As in 1949 there was no similar liquidation of inventories in Canada although the rate of inventory accumulation fell off sharply beginning in the third quarter of 1953.

In both countries government expenditures on goods and services have risen substantially following the Korean conflict but the rise was considerably higher in the U. S., representing 87% in physical terms against 57% in Canada.

TABLE II

Canada-United States Postwar Growth

	Gross National Product (in billions of dollars) at Market Prices Canada	U. S.	Constant Dollars Canada	U. S.	Industrial Production (1947-49 = 100) Canada	U. S.	Employed Persons (in millions) Canada	U. S.
1946	12.0	211.0	9.0	138.0	88	90	4.7	55.2
1947	13.8	233.0	9.2	139.0	97	100	4.8	58.0
1948	15.6	259.0	9.4	143.0	101	104	4.9	59.4
1949	16.5	258.0	9.7	144.0	103	97	5.0	58.7
1950	18.2	287.0	10.3	156.0	109	112	5.0	60.0
1951	21.5	330.0	10.9	167.0	116	120	5.2	61.0
1952	23.2	348.0	11.6	172.0	120	124	5.2	61.3
1953	24.4	367.0	12.1	179.0	128	134	5.3	61.9
Per cent change, 1953-46	102%	74%	34%	29%	45%	49%	13%	12%

The Recent Quarters

	*Gross National Product at Market Prices —(billions of $)— Canada	U. S.	†Industrial Production (1947-49 = 100) Canada	U. S.	Employed Persons —(millions)— Canada	U. S.
1952—1st quarter	22.8	340.0	112	122	5.0	60.0
2nd quarter	22.9	345.0	121	119	5.2	61.7
3rd quarter	23.2	345.0	121	121	5.3	62.7
4th quarter	23.8	361.0	125	133	5.2	62.3
1953—1st quarter	24.2	364.0	124	135	5.0	61.0
2nd quarter	24.1	371.0	131	136	5.2	62.0
3rd quarter	24.6	370.0	129	133	5.4	62.9
4th quarter	24.5	364.0	127	130	5.2	61.6
1954—1st quarter	24.2	358.0	121	125	4.9	60.0
Per cent change, 1st quarters 1954-1953	0	−2%	−2%	−7%	−2%	−2%

SOURCE: Dominion Bureau of Statistics. *Seasonally adjusted at annual rates. †Unadjusted for seasonality.

This remarkable rate of increase seems now to have come to an end in both countries, and defense outlays are no longer providing the same expansionary force.

Finally, comparing foreign trade figures it may be observed that Canada's exports increased in value by nearly 80% and those of the U. S. by 65% between 1946 and 1953. During the same period Canada's imports increased by 135% and those of the U. S. by about 125%. Regarding trade between the two countries the share of Canada's import trade originating in the U. S. has been maintained at over 70% during the postwar period. On the other hand, the proportion of total export trade going into the U. S. increased from 38% in 1946 to 59% in 1953. Despite this rise in exports there still was a substantial deficit balance in Canada's commodity trade with the U. S. in 1953.

The Balance of International Payments

Despite the deficit in the balance of trade the Canadian dollar has remained at a premium in terms of the U. S. dollar. This premium rose to 3¾% towards the end of February, slipped back to 1¼% in April and then moved upward again to the current level of around 3%. This firmness, in the face of declining exports, is explained by the continued inward movement of capital from abroad and it may, therefore, be interesting to examine the factors entering into the balance of international payments. A summary of current transactions with the U. S., the U. K. and other countries (Table 3), as well as a summary of capital movements (Table 4), are annexed to this report. These tables call for the following comments:

(1) Transactions in goods and services with all countries in the first half of 1954 resulted in a current account deficit of $357 million, as compared with the deficit of $375 million in the first half of 1953. There was a significant decline in both exports and imports, reflecting a variety of influences. The more important factor on the export side has been the decline in wheat shipments overseas, while the slowing down of inventory formation is one of the main causes of the fall in imports. With export prices 2½%

lower and import prices about 1% higher the terms of trade deteriorated by some 3% in the first half of 1954 as compared with the like period of 1953.

(2) The deficit in current transactions was partly financed by an inflow of $140 million for direct investment in Canada. It is estimated that 70% of this capital investment was for investment in petroleum exploration and development.

(3) Another inflow of capital was provided by new Canadian issues sold abroad notably in the U. S. which amounted to $239 million. Deducting retirements the net inflow from this source represents $148 million. It may be noted that this movement took part in the very first months of the year. During the second quarter, with the narrowing of the gap between Canadian and U. S. interest rates, new issues were balanced by retirements.

(4) In recent months there has been a significant inward movement of funds for investment in outstanding Canadian securities. In the first half of 1954, this resulted in a sales balance of $38 million, contrasting with a purchase balance of $26 million in the like period of 1953. The latest reports indicate that there has been an increasing inflow for the purchase of Canadian securities during July and August. The major influences in the buying came from the increasing number of U. S.-owned investment companies incorporated in Canada. The pattern of these companies, which have raised some $90 million of capital in the United States in the June-August period, is that they are subject to a 15% Canadian income tax and make no distribution to shareholders, but plough back earnings. Receiving no dividends, U. S. investors pay no tax on earnings and are liable eventually only to a capital gains tax when they sell their shares. The operation of these investment companies has been directed towards a limited number of Canadian stocks and this has added to the rise in the market and to the strength of the Canadian dollar rate.

Canada's International Indebtedness

Table 5 shows foreign capital invested in Canada and Canadian capital invested abroad for the years 1945 to 1953.

It is interesting to compare these figures with Canada's national saving and gross domestic investment during the same period (Tables 6 and 7). It will be noted that while non-resident investment in Canada increased by a little over $4 billion, total capital expenditures over the period amounted to more than $30 billion. Thus it is clear that more than 85% of Canada's total postwar spending of a capital nature has been financed by Canadians themselves. It may be stated, however, that non-resident capital is concentrated particularly in mining and manufacturing and that certain sectors like oil development and iron ore mining show relatively high ratios of foreign capital invested.

It is well known that Canada is attracting a greater amount of foreign private investment than any other country and, at first sight, the rise of Canada's gross liabilities to a total of $12.3 billion at the end of 1953 may seem disturbing. It would be wrong, however, to assume that Canada has become increasingly dependent on foreign capital in its postwar expansion. Indeed, Canada's reliance on foreign capital markets has declined since the war and this is shown strikingly in the international distribution of funded debt of Canadian governments and corporations for 1936 and 1953 (Tables 8 and 9). In 1953, non-residents owned less than 15% of this funded debt in contrast to more than ⅓ before the war. As for the proportion of foreign ownership of Canadian industries, the latest figures available are for 1951 and are reproduced on Table 10 comparing the years 1939, 1948 and 1951. It will be seen that, while the percentage of U. S. ownership increased from 22% to 24%, the total ownership of non-residents declined from 38% to 32%.

Looking at the figures of Canadian capital invested abroad, it will be observed that out of a total of $6.6 billion at the end of 1953, about $4 billion or more than 60% represented government-owned assets. The holdings of gold and foreign exchange are important among these, since government authorities are able to moderate the fluctuations in the exchange rates by increasing or decreasing these holdings. During the first nine months of 1954, official holdings of gold and U. S. dollars were increased by $76 million reflecting government action

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TABLE III

Summary of Current Transactions With the United States, the United Kingdom, and With Other Countries

(Millions of Dollars)

	All Countries		United States		United Kingdom		Other Countries	
January to June—	1953	1954	1953	1954	1953	1954	1953	1954
Exports (adjusted).....	2,031	1,865	1,219	1,134	310	291	502	440
Imports (adjusted).....	2,163	1,991	1,600	1,447	239	205	324	339
Balance on trade	—132	—126	—381	—313	+71	+86	+178	+101
Other transactions (net)	—243	—231	—209	—210	—37	—25	+ 3	+ 4
Current account balance	—375	—357	—590	—523	+34	+61	+181	+105

SOURCE: Dominion Bureau of Statistics.

TABLE IV

Summary of Capital Movements

	1953 First Half	1954 First Half
Direct investment in Canada..............................	+$193,000,000	+$140,000,000
Canadian securities:		
Trade in outstanding issues..............................	— 26,000,000	+ 38,000,000
New issues	+ 192,000,000	+ 239,000,000
Retirements	— 116,000,000	— 91,000,000
Foreign securities	+ 3,000,000	— 14,000,000
Official loan repayments..............................	+ 24,000,000	+ 28,000,000
Canadian dollar holdings of foreigners....................	+ 65,000,000	+ 1,000,000
Official holdings of gold and foreign exchange............	+ 107,000,000	— 41,000,000
Capital movements, n.o.p..............................	— 67,000,000	+ 57,000,000
Net capital inflow financing current account deficit.....	+$375,000,000	+$357,000,000

SOURCE: Dominion Bureau of Statistics.

TABLE V

Canadian Balance of International Indebtedness

(Billions of Dollars)

	END OF YEAR								
	1945	1946	1947	1948	1949	1950	1951	1952	1953
A. CANADIAN LIABILITIES— (Foreign Capital Invested in Canada):									
United States investment in Canada............	5.0	5.2	5.2	5.6	5.9	6.6	7.3	8.0	8.6
United Kingdom investment in Canada............	1.7	1.6	1.6	1.6	1.7	1.7	1.8	†1.9	*2.6
Other countries investment in Canada............	0.4	0.4	0.3	0.3	0.3	0.4	0.4	†0.5	
Total nonresident long-term investment in Canada	7.1	7.2	7.2	7.5	8.0	8.7	9.5	†10.4	11.2
Equity of nonresidents in Canadian assets abroad	0.2	0.3	0.3	0.3	0.3	0.3	0.4	†0.4	0.5
Canadian dollar holdings of nonresidents..........	0.3	0.4	0.3	0.3	0.4	0.6	0.4	0.3	0.3
Canadian short-term assets of IMF and IBRD ‡...	..	..	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Gross Liabilities §..............................	7.6	7.8	8.1	8.4	8.9	9.9	†10.6	†11.4	12.3
B. CANADIAN ASSETS— (Canadian Capital Invested Abroad):									
Direct investments abroad..............................	0.7	0.8	0.8	0.8	0.9	1.0	1.2	1.3	1.4
Portfolio holdings of foreign securities............	0.6	0.6	0.6	0.6	0.6	0.6	0.6	¶0.8	0.8
Govt. of Canada credits	0.7	1.4	1.8	1.9	2.0	2.0	1.9	1.9	1.8
Govt. of Canada subscriptions to IMF and IBRD ‡	..	..	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Canadian long-term investment abroad....	2.0	2.7	3.6	3.6	4.0	4.0	4.1	†4.4	4.4
Govt. of Canada holdings of gold & foreign exchange	1.7	1.3	0.5	1.0	1.2	1.9	1.8	1.8	1.8
Other Canadian short-term assets abroad..........	0.1	..	..	..	0.1	0.1	0.1	0.3	0.4
Gross Assets §..............................	3.8	4.0	4.1	4.7	5.2	5.9	†6.0	†6.5	6.6
Canadian Net Indebtedness §	3.9	3.8	4.0	3.7	3.7	4.0	4.6	†4.9	5.7

*Not available separately. †Revised. ‡International Monetary Fund and International Bank for Reconstruction and Development. §Exclusive of short-term commercial indebtedness and blocked currencies. ¶New series.

SOURCE: "The Canadian Balance of International Payments, 1953," Dominion Bureau of Statistics.

TABLE VI

National Saving and Investment Account

	1946	1947	1948	1949	1950	1951	1952	1953	1946-53
Personal Saving..............................	988	426	1,009	1,005	645	1,390	1,406	1,499	8,368
Gross Business Saving:									
Undistributed corporation profits..........	411	619	788	607	844	721	673	733	5,396
Deprec. allows. and similar business costs	903	1,118	1,276	1,437	1,636	1,910	2,128	2,336	12,744
Net bad debt losses of corporations.......	—11	—18	—19	—21	—23	—25	—25	—28	—170
Adjustment on grain transactions.........	22	62	—109	—96	101	—36	—2	33	—25
Inventory valuation adjustment...........	4	—16	7	—2	—2	—3	5	5	—2
Government Surplus (+) or Deficit(—).....	—133	773	746	440	648	1,053	301	136	3,964
Residual Error of Estimate................	33	61	5	1	—1	—52	92	63	202
Total	2,217	3,025	3,703	3,371	3,848	4,958	4,578	4,777	30,477

SOURCE: Dominion Bureau of Statistics.

TABLE VII

Gross Domestic Investment

(Millions of Dollars)

NON-GOVERNMENT OUTLAYS:	1946	1947	1948	1949	1950	1951	1952	1953	1946-53
New residential construction...	371	506	637	742	801	781	786	1,061	5,685
New nonresidential construction	443	599	818	903	1,026	1,260	1,554	1,726	8,329
New machinery and equipment	584	1,016	1,230	1,323	1,389	1,769	1,916	1,922	11,149
	1,398	2,121	2,685	2,968	3,216	3,810	4,256	4,709	25,163
GOVERNMENT OUTLAYS:									
New residential construction...	42	34	31	27	44	40	40	23	281
New nonresidential construction	263	334	459	500	495	654	883	834	4,422
New machinery and equipment	....	...	...	7	60	73	106	111	357
	1,703	2,489	3,175	3,502	3,815	4,577	5,285	5,677	30,223

SOURCE: Dominion Bureau of Statistics.

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New Growth Factors In Canada's Economy

to relieve the buying pressure on the Canadian dollar.

Population

Canada's population topped the 15 million mark at Dec. 1, 1953. This figure compared with 3 million at Confederation in 1867 and 5,300,000 in 1901. The 1953 report on Canadian vital statistics confirmed Canada's position as one of the world's healthiest nations. The death rate was at an all time low of 8.6 per 1,000 population comparing with 9.6 in the U. S. and 11.4 in the U. K. Infant mortality rate fell to 35 per thousand live births and, while this rate is higher than in the U. S. and the U. K., it shows an improvement over the Canadian rate of 38 deaths per live birth in the years 1951 and 1952.

Since the war Canada's birth rate has been higher than that in most other developed countries. In 1953 it rose to 28.2 per thousand comparing with 24.5 in the U. S. and 15.7 in the U. K. Nearly 290,000 persons were added to the Canadian population in 1953 by the excess of births over deaths. With high postwar birth rates and declining mortality the natural addition to the population has increased every year but one since 1937. Over 5½ million persons have been added to the Canadian population by natural increase since 1921, or an annual average of about 140,000 in the twenties, 125,500 in the thirties, 204,000 in the forties and 278,00 since 1950.

In addition to the natural increase, immigration has made a sizable contribution to the growth in population. More than a million immigrants have entered Canada since the end of the war. Of these a number of 167,000 came in 1953 and the goverment set a similar figure as a target for 1954.

The Bond Market

The volume of Canadian bond financing of all kinds in 1954 will no doubt surpass that of any peace-time year to date. In the first 10 months the total was $3.2 billion (excluding short-term financing of under one year duration) compared with $1.8 billion in the same period of 1953. Federal Government financing increased over $1.1 billion, Provincial $38 million, Municipal $41 million and Corporate about $239 million. The large increase in Federal Government bond sales resulted from the refunding prior to maturity of two Victory loans created during the last war. These were $847 million 3% due 1956 and $1.1 billion 3% due 1957. The first refunding operation in May took the form of $550 million 2¼% Dec. 15, 1956 and $300 million 3¼% June 1, 1976 and in October $700 million 2% Oct. 1, 1957 and $400 million 3¼% Oct. 1, 1979. Both pieces of financing met with unqualified success.

It is interesting to note that borrowing by Canadian issuers in the U. S. market will undoubtedly show a decline from 1953. In the first 10 months financing of this nature was $172 million against $224 in the year previous, with most issues sold in the first part of the year. The two factors responsible for the borrowers' later lack of enthusiasm to enter the American market were the interest rate and the currency rate. At the beginning of 1954 the yield on long-term Canada bonds was 3.68% and on U. S. Governments 2.91% for a differential of .77%. The spread continued to narrow through most of the year and it now stands at about .56%, with long Canadas yielding 3.24% and long Treasuries at 2.68%. During this period the U. S. dollar went through the following range in relation to the Canadian dollar: 97.25 in January, 98.75 in April and now 97. On July 1 the yield on 91 day Government of Canada Treasury Bills was 1.54%, declining to a low of 1.10%, and now stands at about 1.20%.

A significant development in Canadian finance took place in June this year with the foundation being laid for the creation of a true money market. At the instigation of the Bank of Canada a group of dealers was selected to become specialists in Government of Canada Treasury Bills and short-term bonds. These "Jobbers" were granted lines of credit against which they could borrow from the chartered banks on a day-to-day basis secured by the hypothecation of Treasury Bills or other Governments having a term not in excess of three years. This development had an immediate two-fold benefit. On the one hand, the chartered banks acquired a liquid investment ranking next to cash and on the other the dealers were enabled to borrow on demand at low rates permitting them to carry positions in short-term Government securities on an economical basis.

Further impetus to the broadening of the money market came from an amendment to the Bank Act on July 1 which changed the basis for controlling the ratio of bank cash to deposits. Minimum cash reserves against deposit liabilities of the chartered banks was set at 8% with the further provision that the Bank of Canada would have authority to vary this minimum cash ratio within a range of 8% and 12%, thus extending its power to regulate the supply of cash available in the banking system. Traditionally, the Canadian chartered banks had maintained a reserve of about 10% against a statutory 5% minimum requirement. In recent months average reserves have been standing around 9%.

Largely as a result of these deliberate steps described above it is estimated that Treasury Bills in non-banking hands in Canada multiplied four times. Since last June real progress has therefore been made in broadening the Canadian money market which is an important development in a country whose demands for capital are ever increasing.

The Stock Market

During the first 10 months of 1954, the average prices of Canadian equities advanced with few interruptions. As measured by D. B. S. index, industrial stocks gained 32%, banks 23% and utilities 19% during the period. One group, textiles and clothing, showed a slight decline while the best performance was given by the pulp and paper group with a rise of 40%.

Historically, the Canadian stock markets have followed New York and thinking in terms of a North American economy, it is easy to see why this should be. However, such elements as rate of economic growth and growth of population, different tax philosophies and national temperament are tending to introduce divergent

TABLE VIII

Estimated Distribution of Ownership of Funded Debt of Canadian Governments and Corporations, End of 1953

DEBTOR	Amounts Outstanding	—DISTRIBUTION OF OWNERSHIP— Canada	United States	United Kingdom	Other Countries
Dominion direct and guar., exclud. railways	15,169	14,425	608	79	57
Provincial direct and guar., exclud. railways	3,142	2,213	879	42	8
Municipal	1,656	1,251	368	35	2
Sub-Total Government bonds	19,967	17,889	1,855	156	67
Percentage distribution	100.0%	89.59%	9.29%	0.78%	0.34%
Steam railways	1,150	522	287	307	34
Other corporations	3,395	2,447	788	129	31
Total bonds and debentures	24,512	20,858	2,930	592	132
Percentage distribution	100.0%	85.09%	11.95%	2.42%	0.54%

SOURCE: Dominion Bureau of Statistics.

TABLE IX

Changes in Ownership of the Funded Debt of Canadian Governments and Corporations, 1936-1953

DEBTOR	Percentage Held by Non-Residents 1936	1953
Dominion direct and guaranteed, excluding railways	24	5
Provincial direct and guaranteed, excluding railways	28	30
Municipal	25	24
Sub-Total Government bonds	25	10
Steam railways	63	55
Other corporations	39	29
Total bonds and debentures	34	15

SOURCE: Dominion Bureau of Statistics.

TABLE X

Non-Resident Ownership as a Percentage of Selected Canadian Industries, End of 1939, 1948 and 1951

	PERCENTAGE OF TOTAL OWNED BY —All Non Residents— 1939	1948	1951	United States Residents 1939	1948	1951
Manufacturing	42	42	43	34	36	36
Mining, smelting, petroleum explor. and devel.	40	42	59	31	35	52
Steam railways	57	43	39	18	21	18
Other utilities	27	21	20	20	17	17
Total of above industries and merchandising	38	33	32	22	24	24

SOURCE: Dominion Bureau of Statistics.

currents although the main movement of equity prices in both markets will continue to be in the same direction.

One special factor contributing to the firmness of Canadian equities is the activity of newly formed U. S. investment companies already mentioned in this report. Their portfolios, at least in the present phase of formation, seek out high grade equities. The number of such issues and the floating supply thereof is small at the outset and any added demand makes itself felt on the price level. The range of choice is limited; for example, there is in Canada no broad choice of either railroad or utility stocks. Nor are new issues fully meeting the deficiency of quantity or selection. Fortunately, the revision of the Bank Act by Parliament this year brought about an increase in the supply of one of Canada's prime equity investments when the two largest banks offered rights to their stockholders for the first time in over 25 years. New issues of bank shares can now be made without the statutory requirement of offering rights to subscribe to shareholders in countries where regulations call for disclosure of financial statements not required in Canada. In the past most banks had been unwilling to increase their capitalization through an offer of rights as this would have meant disclosing to the SEC financial information which banks are not obliged to publish in Canada.

Based mainly on growing confidence and favorable tax regulations both as to income and capital gains the holdings of Canadian equities by Canadian nationals has continued to broaden.

Conclusion

The real news in Canada's economic life this year seems to be reflected in the two immense projects briefly described in the opening paragraph. Quebec-Labrador Iron and Kitimat Aluminum emphasize two great truths: they reflect the coming to life of those rich remote northern areas of Canada until recently considered wasteland, and they typify the teamwork between Canadian and U. S. men and capital based on self-interest. Taken together they may be the symbol of North American destiny in the last half of the 20th century.

Respectfully submitted,

CANADIAN COMMITTEE

Peter Kilburn, Chairman
Greenshields & Co. Inc.
Montreal

Fred. B. Ashplant, Vice-Chmn.
F. B. Ashplant & Co.
New York

Stanley E. Nixon, Vice-Chmn.
Dominion Securities Corp. Ltd., Montreal

Arnold B. Massey, Sec.-Treas.
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Bell, Gouinlock & Company, Limited, Toronto

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Edward S. Johnston
Wood, Gundy & Co., Inc.
New York

George P. Rutherford
Dominion Securities Corporation, New York

W. Pearson Scott
Wood, Gundy & Company, Limited, Toronto

Arthur S. Torrey
W. C. Pitfield & Company, Ltd., Montreal

Douglas B. Weldon
Midland Securities Corp. Limited, London, Ont.

Warns Against Overconfidence

Mr. Rukeyser, while urging avoidance of possible unbridled spirit of speculation and over optimistic assumption that prosperity has been permanently frozen into our economy, nevertheless cites logical factors behind stock market rise.

The recent stock market boom was touched off by growing evidence that the business recession had flattened out and by the wide-spread expectation of improving profits and trade volume in the first half of 1955.


Merryle S. Rukeyser

This view was expressed by Merryle Stanley Rukeyser, Economic Columnist for the New York "Journal-American" and International News Service, in a special meeting on the business outlook at the Advertising Club of Washington, D. C., at the Hotel Statler on Dec. 7.

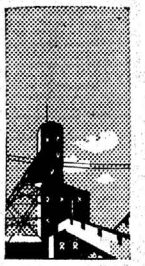
Mr. Rukeyser stated that the stimulus for rising volume would probably come from a decision of businessmen to rebuild inventories, which earlier had been deliberately permitted to run down in a cautious spirit when a serious economic collapse hed been feared.

"Overconfidence and an unbridled spirit of speculation," Mr. Rukeyser, who is author of "Financial Security in a Changing World," declared, "can do more harm to national prosperity than many extraneous factors which are common sources of worry. The continuance of general business and employment on a high level ever since the end of the shooting phase of World War II has resulted from continuing self-searching through these years by businessmen and financiers. Once the automatic and continuous correction of maladjustments on a rolling basis is stopped by excessive optimism and by a belief that prosperity and boom have been irrevocably frozen into our system, it will be a signal for trouble.

The Stock Market's Stimuli

"The present activity in the stock market represents an effort to revalue equity securities in terms of the current depreciated 1954 dollar. Thus though the uncorrected market averages are higher than in 1929, this comparison fails to reflect the interim damage done to the buying power of the dollar. Moreover, corporations, reflecting a quarter of a century of national economic growth, have, in the nature of things, substantially greater net worth than in the earlier period.

"Another factor behind the bull enthusiasm in Wall Street is the belief that hot war will be avoided at least in the near-term, but that cold war will be sufficiently serious to keep government pump priming on a high level in the form of military preparedness outlays."



Railroad Securities

New York Central and Great Northern

New York Central stock had for some time been one of the most active stocks on the New York Stock Exchange day after day, and at generally advancing prices. To this general interest there was added around the middle of last week the effects of Mr. Young's highly optimistic press release. The Chairman of the Board estimated that earnings in the current year would be in the neighborhood of only $5 million but went on to state that by next year this might well be boosted to $50 million or even $75 million, before Federal income taxes. He further expressed the hope that the stock might be put on a regular quarterly dividend basis of $0.50 a share at the January meeting of the Board.

The release came as somewhat of a surprise to some close students of the company's affairs, in view of all that has been said by the new management as to the extensive capital improvement program, including mechanized yards, Centralized Traffic Control, etc., that is necessary to modernize the property. This will presumably require large cash outlays as will the proposed acquisition of a fleet of light weight passenger cars that the company intends to buy, Also, Mr. Young has long stressed the fact that Central has a top-heavy debt structure and that one of the first things he would do on gaining control would be to take aggressive steps to reduce this debt through open market purchases of discount bonds.

With all of these commitments, it is felt in many quarters that there will be little room for liberal dividend policies for some time to come even though the road's cash position has been improving somewhat in recent months. It was also noted that Mr. Perlman, President of the road, who in an earlier speech had warned of disappointing earnings to be expected for the next two years or so, was quoted in the press last week as saying at the time of Mr. Young's press conference, that he was not so optimistic as the Chairman over the outlook for 1955 earnings although he did visualize results much better than those of 1954.

Great Northern

On the investment side of the market many analysts have been pointing to Great Northern stock as affording interesting potentialities along with a liberal yield, quality considered, of 6.4% on the present $2.20 annual dividend rate. Because of its position in the iron ore area of Minnesota, Great Northern is more sensitive than most western roads to the rate of steel mill operations. Considering this factor, and the fact that iron ore shipments to the Lakes did slump fairly sharply during the 1954 shipping season, it is being pointed out that the road did remarkably well.

For the 10 months through October, Great Northern's revenues declined only about 7%, a considerably better showing than that of the Class I carriers as a whole. The road has long been a highly efficient property and while it was impossible to hold costs strictly in line the transportation ratio increased only 1.4 points during the 10 months, and at 33.2% was still well below the industry average. Federal income taxes were substantially lower than they were a year ago and for the 10 months share earnings amounted to $3.38, a drop of only $0.55 from the like 1953 interim. November traffic comparisons were much better than they had been in earlier periods and the same will presumably be true of December. Thus, for the full year it seems possible that earnings may reach $4.50 a share, just about where they were in 1952 and compared with $4.92 last year.

The present outlook is for considerably heavier steel tonnage in 1955 than is being produced this year so that the road's tonnage of the profitable iron ore should rebound fairly sharply next year. Also, further progress toward the goal of complete dieselization should mean continuing cumulative improvement in the already favorable degree of operating efficiency. Thus, a significant increase in earnings is looked for by most analysts next year, perhaps to a new postwar peak. Aside from these favorable near-term aspects, and the possibility of further liberalization of dividends in the coming year, it is pointed out that the road has well defined long-term growth characteristics, particularly with respect to the western part of the lines where industrial expansion has been stimulated by the large hydro-electric projects, and where the same dams have resulted in the opening up of millions of acres of formerly barren land through irrigation.

Treves to Admit Two

On Jan. 1 Morris Leverton will be admitted to general partnership and Harold Reiner to limited partnership in Treves & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

With Bosworth Sullivan

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William E. Wardman has become associated with Bosworth, Sullivan & Co., 660 17th Street. Mr. Wardman was previously Colorado Springs Manager for Harris, Upham & Co.

With Eastman, Dillon Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Willard A. White has become connected with Eastman, Dillon & Co., 135 South La Salle Street. He was formerly with White, Weld & Co. and Bache & Co.

With Federated Managem't

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Vincent F. Murphy is with Federated Management Corporation, 21 Elm Street.

With W. C. Birkenmayer

DENVER, Colo. — Miles A. White, Jr. has become connected with W. C. Birkenmayer & Co., U. S. National Bank Building.

Continued from page 27

Pattern of Canadian Investment and Trade

dians themselves have been investing abroad. It may perhaps come as something of a surprise to you to learn that, per capita, Canadian investment in the United States is much greater than United States investment in Canada. In 1953 United States per capita long term investment in Canada amounted to $52; Canadian per capita long term investment in the United States amounted to $133. If account is taken of all Canadian investment abroad, it is accurate to say that Canadian sources of saving in the postwar period were large enough to finance all but 4% of the net capital formation in Canada and all but 9% of the gross capital formation.

I imagine that the sobriety which expresses itself in thrifty self-dependence in the financing of our economic development and in a sense of responsibility in the handling of our domestic and international affairs has had a good deal to do with the inflow of United States capital to Canada in recent years. Certainly the volume of that flow has been remarkable. United States investment in Canada increased by more than $3½ billions from the end of 1945 to the end of 1953. Last year alone it increased by more than $600 millions to reach a total of $8,600 million.

Since remarks on this subject may seem to lack authority unless they are strongly laced with statistics, I should perhaps go on and give you some idea of how that increment was made up. The largest part of it took the form of direct United States investment in new ventures in Canada and in branch plants. During 1953 United States direct investment in Canada reached a record of $330 millions. You may also be interested to know that, from 1946 to 1953, 307 United States firms established branches in Canada. New Canadian issues also accounted for a large slice of the capital inflow from the United States last year. The value of new issues sold in the United States amounted to $329 millions. Such flotations have now tapered off, largely no doubt because the gap between Canadian and United States interest rates has narrowed. In some years portfolio transactions between the United States and Canada in outstanding securities have resulted in a considerable net inflow. But last year the tide was running in the opposite direction. During the first quarter of 1954 United States buying of Canadian stocks and shares again rose sharply and the demand is continuing to be strong, buoyed particularly by the operation of United States investment trusts.

From time to time, problems are created for us in Canada by this heavy flow of capital from the United States. Nevertheless, we welcome it, because we realize that without it our economic development would have to progress at a slower rate. On the other hand, we do not consider that such capital movements can ever be a satisfactory substitute for a stable trade balance. Last year, Canada had a trade deficit with the United States, of approximately $750 millions and an overall deficit on current account of approximately $440 millions. The deficit was covered by capital inflow. That method of balancing our international accounts is, however, less satisfactory than a balance produced by our export trade. Inevitably a balance dependent on capital movements leaves some residue of worry in Canadian minds about what our position would be if the inflow were to dwindle or dry up.

Much has been written recently about the necessity, as United States foreign aid comes to an end, for underdeveloped countries or countries in the process of development to create a domestic climate that will attract foreign, and principally American, investment. Less has been said about the corollary that overseas countries will be reluctant to welcome dollar investment unless they can see a fair prospect of untimately earning an increased volume of dollars from the United States. That consideration is all the more pertinent at a time when United States receipts in the form of interest, dividends and other private investment returns substantially exceed new investments being placed abroad. Last year, for example, returns of all kinds on United States private investment abroad exceeded by approximately a billion dollars the fresh outflow of private capital during the same period.

A More Liberal U. S. Import Policy Needed

We in Canada have managed to keep our domestic economy in trim, as the heavy flow of United States funds, I think, bears witness. As a result, we are, no doubt, in a better position than many other countries to urge that a readier acceptance by the United States of foreign imports must go hand in hand with dollar investment abroad. There is such a wide demand for the basic commodities we produce in Canada that we can be confident that—in the long run—they can be marketed, and on satisfactory terms. That is not true, however, of many another country. And even we in Canada cannot afford to slacken for a moment our vigilant concern over our export prospects. Foreign trade is the very lifeblood of our national economy and our national well-being, accounting as it does for more than 20% of our total production.

Nor can those who have an interest in investment in Canada be indifferent, I suggest, to Canadian trade. The vast bulk of the direct United States investment in Canada is being channeled to our resource industries. It is going to develop our oilfields and our deposits of iron ore and to increase our production of nonferrous metals. I need hardly point out that all these commodities enter very substantially into our foreign trade. And some of these are threatened with United States import restrictions. It is true that during the last 20 years Canadian production has become much more diversified. But it is also true that our foreign trade is still largely made up of the export of a comparatively few staple commodities. Our principal exports are still wheat, newsprint, lumber, non-ferrous metals; and we hope that before long iron ore and petroleum and natural gas will be added to that list. The economic development that has been taking place in Canada will be a success for those who have helped to finance it—and for Canada—only if reliable markets can be found, particularly in the United States, for the natural resources that are now being exploited. For that reason, those of you who have invested in Canada have a common interest with Canadians. The dollars you have sent across the border will be able to do their work only if Canada can continue to trade freely with the United States. Whether or not Americans realize it, they have acquired an important stake in the future of Canada's foreign trade.

During the past year we in Canada have been disturbed by the restrictions that have been imposed by the United States against some of our exports and by the clamour there has been for even further restrictions. So far, the only commodities to be affected have been certain of our agricultural exports. But other commodities seem threatened. In the light of the decision announced on the 20th of August, for example, the future market in the United States for Canadian lead and zinc remains uncertain. As you know, there has also been difficulty in making arrangements to export to this country the natural gas that is becoming available as our oilfields are opened up. I know and acknowledge what efforts have been made by your government to avoid restrictions on Canadian imports and to mitigate the consequences for Canada's trade when new restrictions were held to be unavoidable. Nevertheless, the increasing difficulties that we have experienced in trying to sell Canadian commodities in this country inevitably cause us great concern.

These developments have been more disturbing at a time when we had hoped that the United States would be able to take some action to bring its commercial policy more into accord with its position as the world's strongest creditor. We fully appreciated that some time would be needed for these issues to be debated and we understood the reasons why yet another Commission should be appointed to consider them. When the Commission on Foreign Economic Policy submitted its recommendations to the President, we thought that these constituted a move in the right direction and hoped that they would be implemented without delay. We now earnestly trust that some progress will be made at the forthcoming session of Congress to translate them into law. If the event proves otherwise, there will be further disappointment—and I fear pretty wide disillusionment—in my country.

Changing Circumstances Require Action

It seems to me that the need for action has been made more imperative by changing circumstances. For the time being, the situation favors a broad movement towards the restoration of a free and multilateral system of trade and payments. But this may change and these favorable conditions vanish if advantage of them is not taken for constructive action on a world-wide scale. Throughout the sterling area and in Western Europe it is now better appreciated than at any time since the end of the War that deficit countries have a responsibility to pursue sound domestic measures—sometimes of an unpopular kind—as their contribution toward the establishment of a stable international economy. Over considerable opposition, these views seem now to have gained the ascendancy in all the countries concerned. And, if there is not some convincing evidence before long that the United States is slowly but surely moving towards a more liberal trade policy, it seems to us that the balance of opinion may well be reversed. We in Canada believe that it would be a major defeat for the free world if this opportuntiy to create a more satisfactory economic system between the nations were lost.

Most of the issues involved are now under discussion in Geneva at the session to review the General Agreement on Tariffs and Trade. From the very beginning the Canadian Governments have attached great importance to that international instrument, in the belief that a code of commercial conduct, even an imperfect one, was essential to an orderly system of international trade. We in Canada, like you in the United States, have regretted that exchange difficulties in many parts of the world have prevented the General Agreement from being applied with full strictness and full success. The present review session provides an opportunity, however, to strengthen the Agreement, especially in its crucial balance-of-payments clauses. And the removal or alleviation of exchange difficultiets in many countries suggests that an effort of that kind would be timely. Obviously, however, such an effort will not succeed if the United States is, for one reason or another, inhibited from playing a role of effective leadership. The Canadian Government still hope that the United States will be able to join in making the Agreement stronger rather than weaker as an instrument to regulate international trade.

That these discussions in Geneva are taking place in a wide forum and on a multilateral scale seems to us altogether proper. For, although I have stressed the importance to Canada of its trade with the United States, your market, however large and however freely we may be allowed to enter it, can hardly be expected to provide adequate scope for our traders. Some of the commodities we produce in greatest volume—wheat, for example—are traditionally exported to other parts of the world and could never be absorbed in this country. For that practical reason, if for no other, we in Canada are obliged to try to see the problems of trade and investment throughout the free world as a whole and not allow them to be fragmented into a number of regional categories. I need hardly add that in our opinion any global appraisal leads quickly to the conclusion that, if an enduring structural balance is to be created in international trade and payments, the United States must gradually be willing to take more and more imports.

We appreciate that in an economy so large, so expansive, and so comparatively self-contained as the United States, many other economic adjustments can lead more directly, and certainly more visibly, to a reduction in costs than some modest reductions in protection. In this country, therefore, the classical argument for freer trade can hardly be expected to awaken such a ready response as it does in countries which are more dependent on foreign trade and whose peoples realize that their real income is greatly affected by the cost of imported commodities.

Nevertheless, I think that that argument for freer trade is not without relevance even in the United States. And, in any case, there is an argument of a quite different, and nowadays more important, kind that points in the same direction. If Americans have difficulty in seeing that some further application to their foreign trade of the principles of Adam Smith would increase the opulence of their country (to use his terms), it must be increasingly apparent to all of us in North America that freer trade would contribute substantially to the security of the United States. This great nation is now at the head of a wide coalition and your allies are to be found in all parts of the free world. Some of these allies of yours are situated right up against the out-works of the Communist empire which threatens us all. Without exception all of them need to keep the fabric of their economic and social life strong. Otherwise their people will not be able to resist the blandishments of Communist propaganda and they will not be able to play their part in maintaining the military strength of the free world. They will be able to develop and preserve sound and hopeful economic conditions within their own borders only if they can depend on earning the

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Pattern of Canadian Investment and Trade

foreign exchange they must have to meet their import requirements and their other external obligations. Because of the strong creditor position of this country and the wide demand for your products, the exchange resources that must command primary attention from most countries are United States dollars. The outflow of dollars from the United States — and, I should add, to a lesser extent, from Canada — should therefore be regarded as of far more than mere commercial or economic importance. To members of the alliance which you lead it represents an indispensable element in the common defense. The commodities shipped to you by your friends and allies are indeed much more than they see. They are nothing less than a necessity for survival.

We in Canada have watched with admiration the way you Americans have shouldered the responsibilities that have been thrust on you for leadership in the free world. We are confident that when you realize that the great cause you must sustain requires that you open your doors more freely to the goods produced in other countries, you will accept that responsibility as well as all the others which you are now so courageously discharging.

Continued from page 23

IBA Problems for the Coming Year

ject of concern is the question of public relations. While we think and talk about it, the net result of our individual and collective efforts seems to fall short of our potentialities.

Value of Public Relations

I have recently asked the Presidents of American Tel. & Tel., duPont, General Motors, Sears, Roebuck and Westinghouse for an expression as to the percentage of their personal valuable time which they spend on Public Relations. It varies between 5% and 10%—and keep in mind that each company has a Public Relations Department. Mr. Miller of American Tel. & Tel. said, "responsibility rests with every member of the organization." Mr. Curtice of General Motors said, "we feel, further, that Public Relations is a responsibility of management at all levels."

Do we in our industry spend this amount of our time in this direction? I doubt it very much because we seldom have the time or take the time to approach the problem aggressively. We thrive on interruptions in our daily routines and we frequently become submerged under the pressure of volume production.

There are many directions in which our Public Relations program could be developed. New tax education, publicity opportunities, various kinds of speaking assignments, "Opportunity, U. S. A.," the "Invest in America" idea, community activities, to mention a few. I think we should also find ourselves frequently leading the country at large by early expressions of opinions on important subjects or developments of the day — rather than merely "seconding the motion."

If our IBA member firms and our Association would increase our efforts toward solving this important problem, surely the investing public would gain as well as ourselves.

Actually each of the above three reflections are closely related to each other and their joint solution would do much towards carrying forward our industry in the years to come.

A fourth point of almost equal importance to my mind is the question of saving. I have thought for a long time we could place a greater emphasis on the fundamental idea of saving—saving in the form of corporate securities—or Government Savings Bonds—**but saving.** Recently I attended a conference in Washington on this question. Among the numerous speakers, many mentioned the volume of saving in the form of Savings Accounts, U. S. Government Savings Bonds, Life Insurance, and Savings and Loan Associations, but none mentioned saving through investment in the kind of securities we buy and sell. It seems to be taken for granted that we are interested only in that segment of the public who have already accumulated a considerable amount of savings. Should we not go all out in preaching the habit of saving to all the people so that a greater number, for their own good, will become our customers of tomorrow? "Saving is having—having is Independence —Independence is the foundation of America."

Our profession is a great one. It deals with every kind of industry under the sun. It has to take into consideration the past, the present, and the future. It deals with all phases of the financial community, of industry, and with persons of all walks of life. I often think if persons in our business were employed by industrial corporations, and if we used the same amount of brain work and energy, we probably would make more money but we wouldn't get as much enjoyment out of life, nor contribute as much to society. One of the real compensations, it seems to me, is that when we arrive at the age of retirement, because of our particular experience, we are mentally alert and prepared to continue to do our full share in the extra curricular responsibilities of our communities and environs.

We will all agree that we still need more young men in our industry to fill up the vacuum which developed during the 1930's and early 1940's. Where will you find a greater opportunity—and what profession has more to offer overall than ours? I question if we tell the story of our particular kind of business to high schools and colleges as effectively as we should. There are too few men who think of us before they become interested in some other industry.

Optimistic on Future

Despite certain cloudy, worldwide problems, it really is not difficult to look into the future with genuine optimism. We see the rapid growth of population—the ever increasing efficiency of agriculture and industry — the products of research and imagination—the discovery of new and greater uses for raw materials—throughout the world. All of these are arguments on the constructive side of world progress. Let us sell prosperity for the individual in our country and through out the world. If we succeed, the problems of learning how to live with each other—at both the individual and international level—should be solved in reasonably orderly fashion.

Yes, we have seen a great deal in our lives and we have a lot to look forward to. Continued study, hard work and good judgment will enable our generation to turn over to our children and our grandchildren, the heritages of our fathers' and help to insure the future of our great country. We have a lot to be thankful for. You and I have been provided with our freedoms of life and opportunity. We are fortunate to be Americans.

Hincks Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Anthony F. Bauza has been added to the staff of Hincks Bros. & Co., Inc., 872 Main Street, members of the Midwest Stock Exchange.

Two With Walston Firm

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George F. Good and Mahlon L. Mathis are now connected with Walston & Co., 265 Montgomery Street.

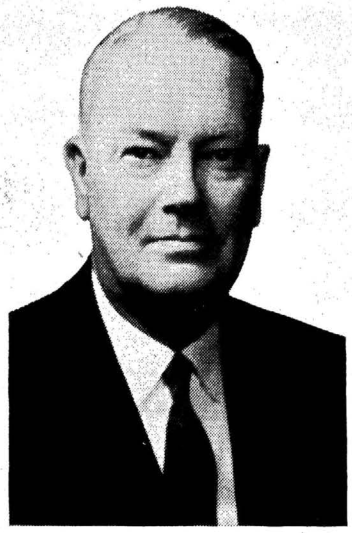
Rutherford to Admit

John Rutherford & Co., 120 Broadway, New York City, members of the New York Stock Exchange will admit Grace M. Bickel to partnership on Jan. 1.

INVESTMENT BANKERS ASSOCIATION OF AMERICA

OFFICERS 1954-1955

President



Walter A. Schmidt

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Vice-President

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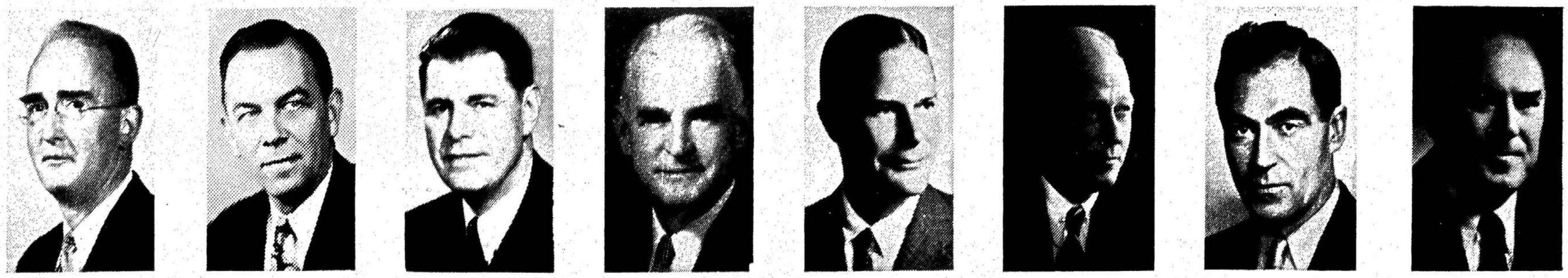
IBA GOVERNORS



William M. Adams — *Braun, Bosworth & Co., Incorporated, Detroit*

J. Murrey Atkins — *R. S. Dickson & Co., Inc., Charlotte, N. C.*

Harry Beecroft — *Beecroft, Cole & Co., Topeka*

Walter F. Blaine — *Goldman, Sachs & Co., New York City*

Orlando S. Brewer — *Phelps, Fenn & Co., New York City*

T. Jerrold Bryce — *Clark, Dodge & Co., New York City*

Hugh Bullock — *Calvin Bullock, New York City*

James R. Burkholder — *Almstedt Brothers, Louisville*

Forrester A. Clark — *H. C. Wainwright & Co., Boston*

Harold H. Cook — *Spencer Trask & Co., New York City*

Gordon Crouter — *DeHaven & Townsend, Crouter & Bodine, Philadelphia*

Lester H. Empey — *American Trust Company, San Francisco*

Robert W. Fisher — *Blyth & Co., Inc., New York City*

W. C. Hammond, Jr. — *White, Weld & Co., Boston*

Waldo Hemphill — *Waldo Hemphill & Co., Seattle*

William S. Hughes — *Wagenseller & Durst, Inc., Los Angeles*

Wm. C. Jackson, Jr. — *First Southwest Company, Dallas*

J. Earle Jardine, Jr. — *William R. Staats & Co., Los Angeles*

William T. Kemble — *Estabrook & Co., Boston*

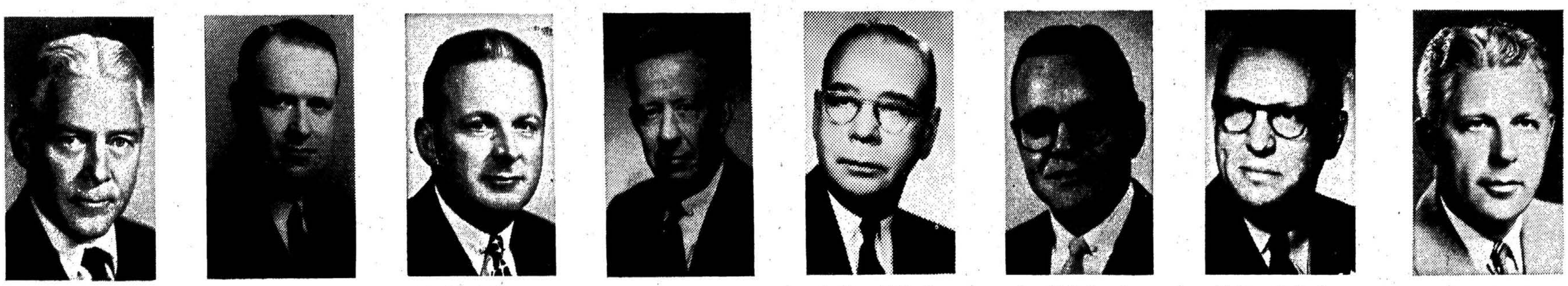
William D. Kerr — *Bacon, Whipple & Co., Chicago*

Quitman R. Ledyard — *Equitable Securities Corporation, Nashville*

James J. Lee — *W. E. Hutton & Co., New York City*

Donald E. McFarland — *Kalman & Company, Inc., Minneapolis*

Walter Maynard — *Shearson, Hammill & Co., New York City*



Robert G. Mead — *Stone & Webster Securities Corp., Chicago*

William H. Morton — *W. H. Morton & Co., Incorporated, New York City*

Paul L. Mullaney — *Mullaney, Wells & Company, Chicago*

Chapin S. Newhard — *Newhard, Cook & Co., St. Louis*

Ludlow F. North — *Robert W. Baird & Co., Incorporated, Milwaukee*

Lee H. Ostrander — *William Blair & Company, Chicago*

Nathan K. Parker — *Kay, Richards & Co., Pittsburgh*

Alfred Rauch — *Kidder, Peabody & Co. Philadelphia*

James E. Roddy — *Scharff & Jones, Inc., New Orleans*

Joseph W. Sener — *John C. Legg & Company, Baltimore*

Robert O. Shepard — *Prescott, Shepard & Co., Inc., Cleveland*

Garfield J. Taussig — *Taussig, Day & Co., Inc., St. Louis*

Eaton Taylor — *Dean Witter & Co., San Francisco*

Arthur S. Torrey — *W. C. Pitfield & Co., Ltd., Montreal*

Charles S. Vrtis — *Glore, Forgan & Co. Chicago*

Paul E. Youmans — *Bosworth, Sullivan & Co., Inc., Denver*

Henry J. Zilka — *Zilka, Smither & Co., Inc., Portland, Oreg.*

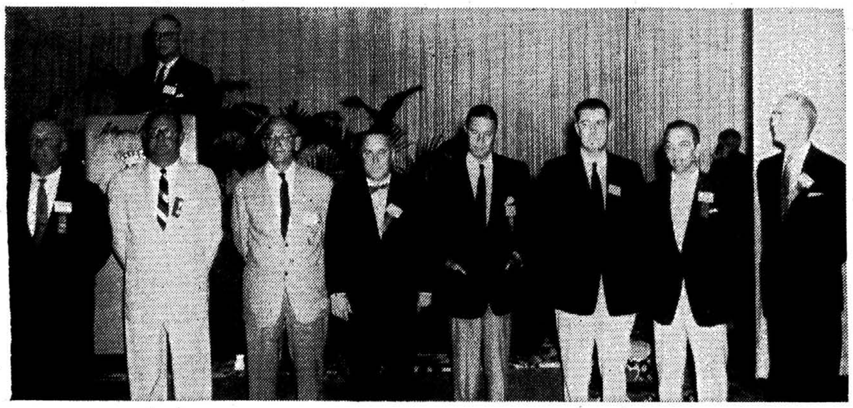
Pictures Taken at 1954 IBA Convention

At Hollywood Beach Hotel, Florida

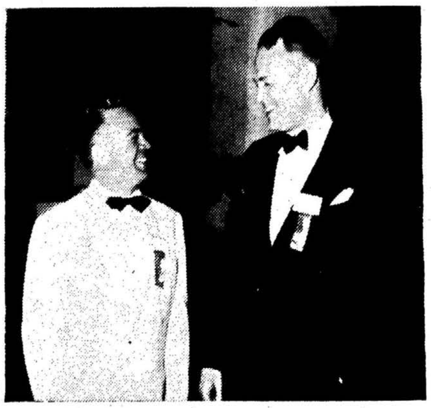
T. Jerrold Bryce, *Clark, Dodge & Co.*, New York City, pinning badge of office on William A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia, incoming President

New Officers: Robert H. Craft, *American Securities Corporation*, New York; Holden K. Farrar, *Smith, Barney & Co.*, Chicago; John C. Hagan, Jr., *Mason-Hagan, Inc.*, Richmond; Delmont K. Pfeffer, *National City Bank of New York*; Ralph E. Phillips, *Dean Witter & Co.*, Los Angeles, Vice-Presidents; Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia, President

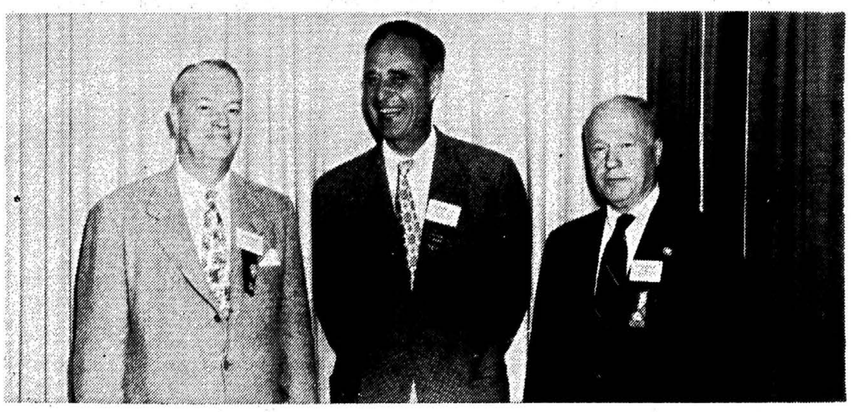
New Governors:
Eaton Taylor, *Dean Witter & Co.*, San Francisco; Robert O. Shepard, *Prescott, Shepard & Co., Inc.*, Cleveland; Alfred Rauch, *Kidder, Peabody & Co.*, Philadelphia; Ludlow F. North, *Robert W. Baird & Co., Incorporated*, Milwaukee; Donald E. McFarland, *Kalman & Company, Inc.*, Minneapolis; Quitman R. Ledyard, *Equitable Securities Corporation*, Nashville; William D. Kerr, *Bacon, Whipple & Co.*, Chicago; William T. Kemble, *Estabrook & Co.*, Boston; J. Earle Jardine, Jr., *William R. Staats & Co.*, Los Angeles



New Governors:
William C. Hammond, Jr., *White, Weld & Co.*, Boston; Lester H. Empey, *American Trust Company*, San Francisco; Harold H. Cook, *Spencer Trask & Co.*, New York; James R. Burkholder, Jr., *Almstedt Brothers*, Louisville; Orlando S. Brewer, *Phelps, Fenn & Co.*, New York; Harry Beecroft, *Beecroft, Cole & Co.*, Topeka, Kansas; J. Murrey Atkins, *R. S. Dickson & Co., Inc.*; Charlotte, N. C.; William M. Adams, *Braun, Bosworth & Company*, Detroit; Robert W. Fisher, *Blyth & Co., Inc.*, New York (not in picture)



Edward T. McCormick, *American Stock Exchange*, New York; G. Keith Funston, *New York Stock Exchange*, New York



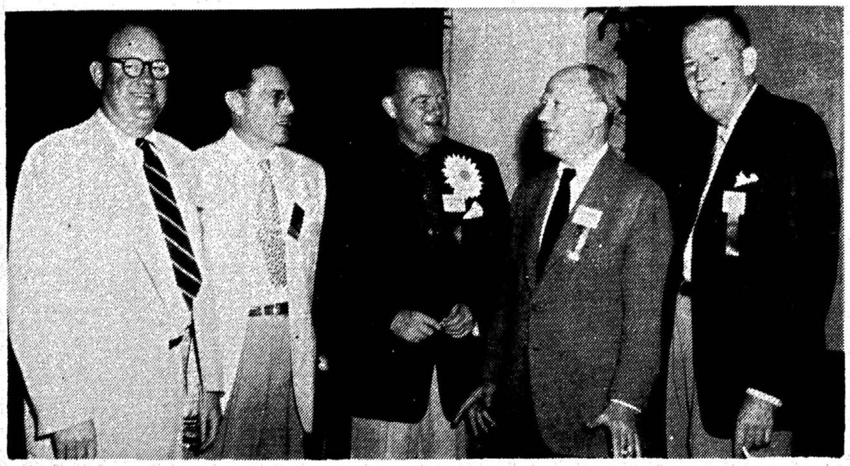
Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia; Prescott Bush, *United States Senate*; T. Jerrold Bryce, *Clark, Dodge & Co.*, New York

Mr. & Mrs. Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia

Karl P. Herzer, *R. L. Day & Co.*, New York; William B. Chappell, *First Boston Corporation*, New York; Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston; Joseph W. Sener, *John C. Legg & Company*, Baltimore; Joseph T. Johnson, *The Milwaukee Company*, Milwaukee; Rudolf Smutny, *Salomon Bros. & Hutzler*, New York

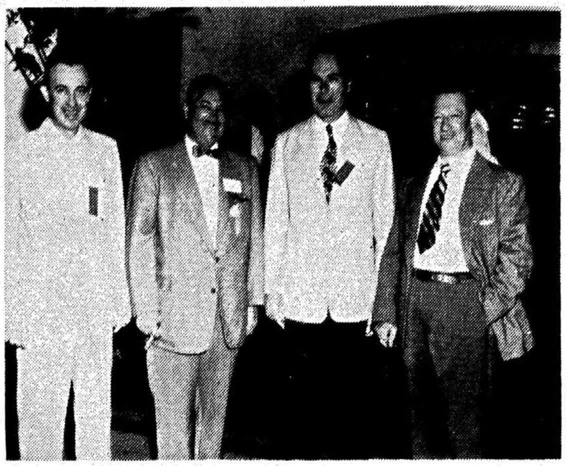
Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia; Hon. A. D. P. Heeney, *Ambassador of Canada*, Washington, D. C.; Mr. & Mrs. Hugh Bullock, *Calvin Bullock*, New York;

James H. Lemon, *Johnston, Lemon & Co.*, Washington, D. C., Chairman of the Savings Bond Committee, receiving special award from U. S. Treasury Department, presented by David M. Kennedy, Assistant to the Secretary of the Treasury



L. H. Empey, *American Trust Company*, San Francisco; Julian A. Space, *Johnson, Lane, Space & Co.*, Savannah, Ga.; John D. Baker, *Reynolds & Co.*, New York City; T. Jerrold Bryce, *Clark, Dodge & Co.*, New York City.; Eaton Taylor, *Dean Witter & Co.*, San Francisco

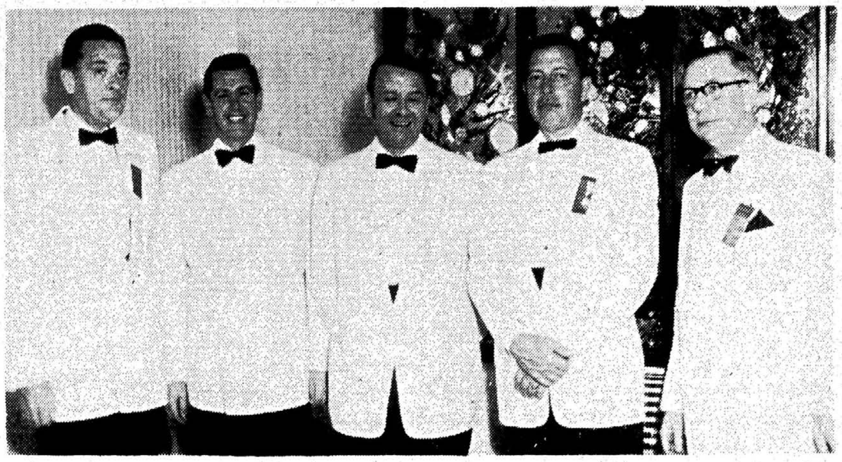
Mr. & Mrs. Arnold Tschudy, *Bank of America*, New York; Mr. & Mrs. Alfred H. Hauser, *Chemical Corn Exchange Bank*, New York



Robert M. Goodwin, *National City Bank*, New York; Henry L. Harris, *Goldman, Sachs & Co.*, New York; Delmont K. Pfeffer, *National City Bank*, New York; K. P. Tsolainos, *Baker, Weeks & Co.*, New York

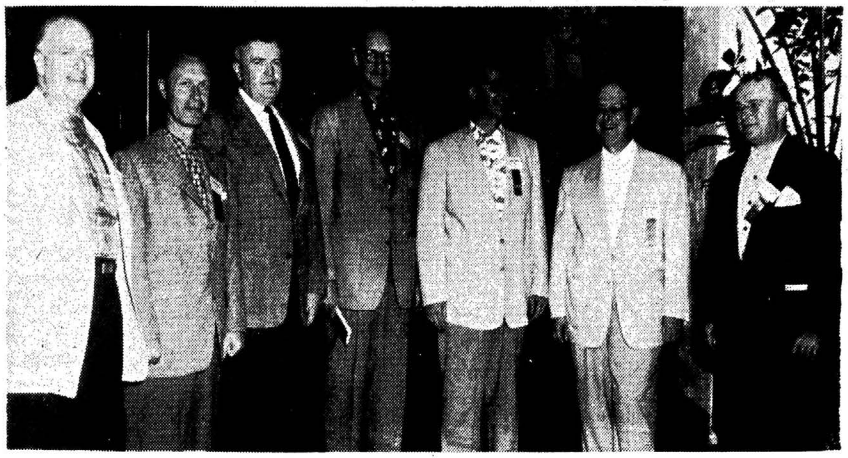
Edward C. George, *Harriman Ripley & Co., Incorporated*, Chicago; Mr. & Mrs. John C. Hagan, Jr., *Mason-Hagan, Inc.*, Richmond

Edward H. Gunn, *Midland Securities Corp.*, Toronto; John E. Langdon, *McLeod, Young, Weir & Co.*, Toronto; Mr. & Mrs. George C. MacDonald, *McLeod, Young, Weir, Inc.*, New York; Edwin F. Peet, *Burns Bros. & Denton*, New York; Robert P. Howard, *Gairdner & Co.*, Toronto; Desmond Magee, *Dominion Securities Corporation*, New York



George M. Mackintosh, *Harriman Ripley & Co. Incorporated*, New York; W. Scott Cluett, *Harriman Ripley & Co., Incorporated*, New York; William J. Keary, guest; Edward C. George, *Harriman Ripley & Co., Incorporated*, Chicago; LeRoy H. Apgar, *Harriman Fipley & Co., Incorporated*, New York

Gordon B. Whelpley, *Goldman, Sachs & Co.*, New York; Philip R. Neuhaus, *Underwood, Neuhaus & Co.*, Houston; Charles F. Morgan, *Morgan Stanley & Co.*, New York; Robert H. B. Baldwin, *Morgan Stanley & Co.*, New York; Claude F. Turben, *Merrill, Turben & Co.*, Cleveland; John S. Loomis, *The Illinois Company*, Chicago; Fred T. Rahn, *The Illinois Company*, Chicago; John H. Brooks, *Putnam & Co.*, Hartford; Mrs. John H. Brooks; Mrs. Claude F. Turben



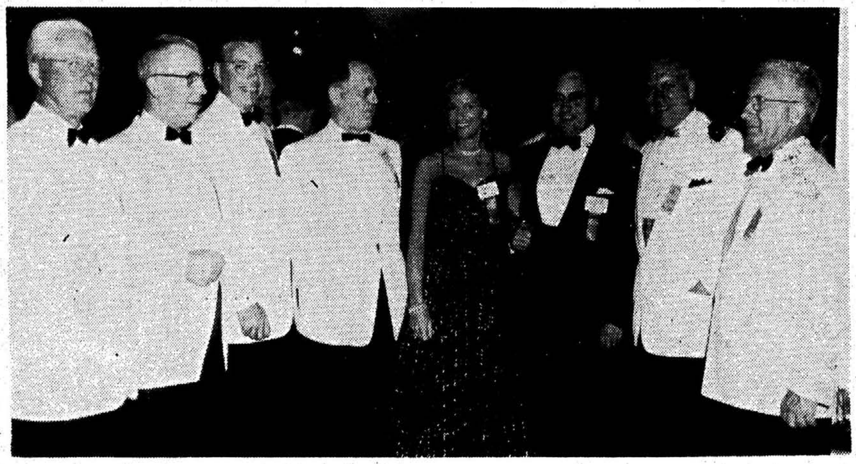
Francis X. Coleman, *Gregory & Son Inc.*, New York; R. George Le Vind, *Blyth & Co., Inc.*, New York; Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco; Elmer G. Hassman, *A. G. Becker & Co.*, Chicago; Charles C. Bechtel, *Watling, Lerchen & Co.*, Detroit; Kenneth S. Johnson, *Indianapolis Bond & Share Corporation*, Indianapolis; Franklin L. Schroeder, *Braun, Bosworth & Co.*, Toledo

Mr. & Mrs. H. V. B. Gallager, *Yarnall, Biddle & Co.*, Philadelphia

Mr. & Mrs. Hugh Bradford, *Southwestern Securities Co.*, Dallas; Mr. & Mrs. Lewis W. Pollok, *Eddleman-Pollok Co.*, Houston

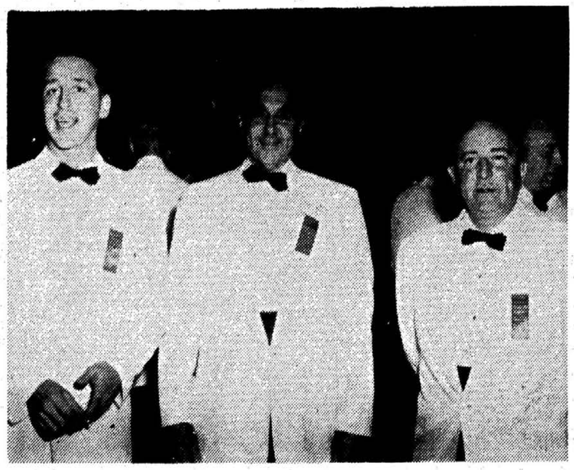
Mrs. Walter E. Morse, New York City
Mrs. Frank H. Morse, New York City

Mrs. Telfer Hanson, Toronto; Louis G. Mudge, *International Bank*, New York; Mrs. N. D. Young, Toronto; Earle Gatchell, *Hayden, Stone & Co.*, New York; Telfer Hanson, *Burns Bros. & Denton*, Toronto; J. A. Kingsmill, *Investment Dealers Association of Canada*, Toronto; N. D. Young, *Investment Dealers Association of Canada*, Toronto

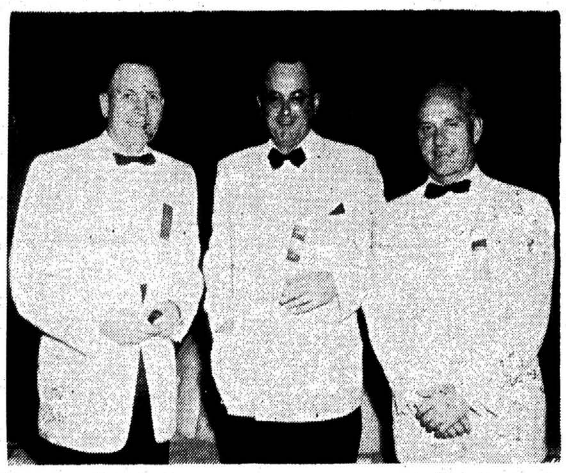


Malcolm Love, *Barr Brothers & Co.*, New York; Leo L. Quist, *Harold E. Wood & Co.*, St. Paul; John V. Hollan, *Barr Brothers & Co.*, New York; Newell S. Knight, *Mercantile Trust Cmpany*, St. Louis; Mrs. John W. Reno, New York; Richard Morey, *A. G. Edwards & Sons*, St. Louis; Arthur E. Goodwyn, Jr., *Goodwyn & Olds*, Washington, D. C.; Elvin K. Popper, *I. M. Simon & Co.*, St. Louis

Mr. & Mrs. Roland Merrell, *Lee Higginson Corporation*, New York City; Charles A. Capek, *Lee Higginson Corporation*, Chicago; Owen Daly, II, *Mercantile Safe Deposit & Trust Company*, Baltimore



George W. Anderson, *Anderson & Strudwick*, Richmond, Va.; Edward C. Anderson, *Anderson & Strudwick*, Richmond, Va.; Arthur Robinson, *Anderson & Strudwick*, Richmond, Va.



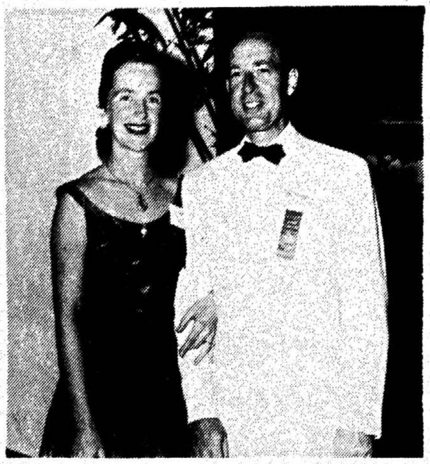
John H. Stafford, Jr., *Lee Higginson Corporation*, New York; Joseph G. Cross, *C. J. Devine & Co.*, New York City; John W. Reno, *Carl M. Loeb, Rhoades & Co.*, New York

Board of Governors Meeting

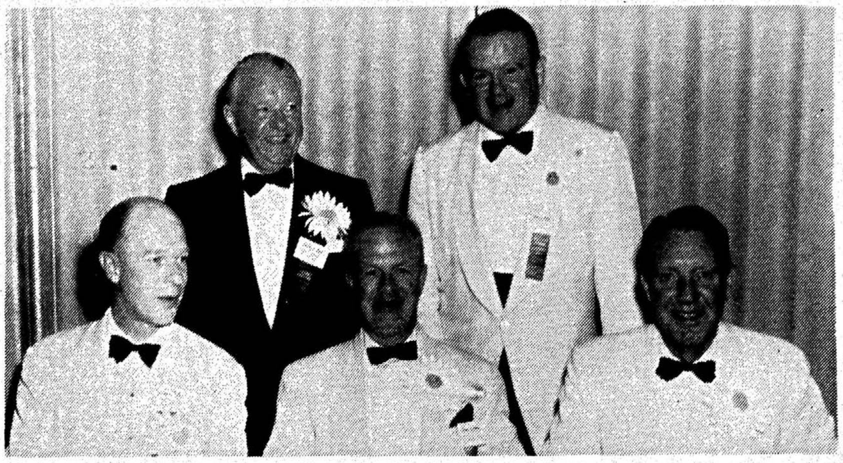
Federal Legislation Committee breakfast meeting

J. Emerson Thors, *Kuhn, Loeb & Co.*, New York; E. Jansen Hunt, *White, Weld & Co.*, New York

Mr. & Mrs. Kurt H. Grunebaum, *New York Hanseatic Corporation*, New York; *Mr. & Mrs. Arthur C.* Turner, *New York Hanseatic Corporation*, New York

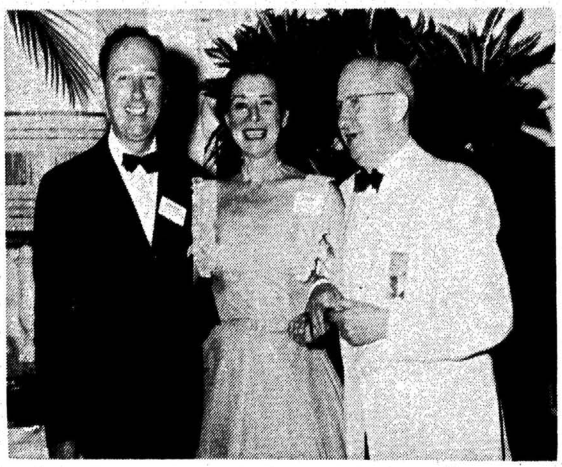


Mr. & Mrs. Harold X. Schreder, *Distributors Group, Incorporated*, New York

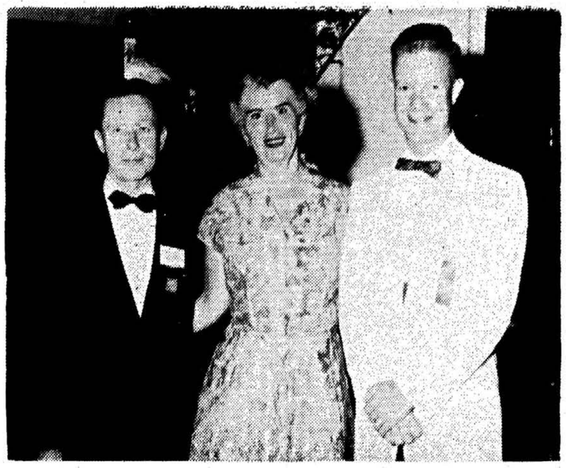


Jim Daisy Initiates: (standing) Edward D. Jones, *Edward D. Jones & Co.*, St. Louis; John D. Baker, Jr., *Reynolds & Co.*, New York; (seated) Robert E. Clark, *Calvin Bullock*, New York; Edgar J. Loftus, *W. C. Langley & Co.*, New York; W. Carroll Mead, *Mead, Miller & Co.*, Baltimore; (missing) John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.

Mr. & Mrs. S. Whitney Bradley, *Eaton & Howard, Incorporated*, Boston; Robert F. Bender, *Wachob-Bender Corp.*, Omaha, Neb.; Charles F. Eaton, Jr., *Eaton & Howard, Incorporated*, Boston; Mr. & Mrs. R. W. Thornburgh, *W. C. Thornburgh Co.*, Cincinnati; Mr. & Mrs. Frank W. North, *Barret, Fitch, North & Co.*, Kansas City, Mo.



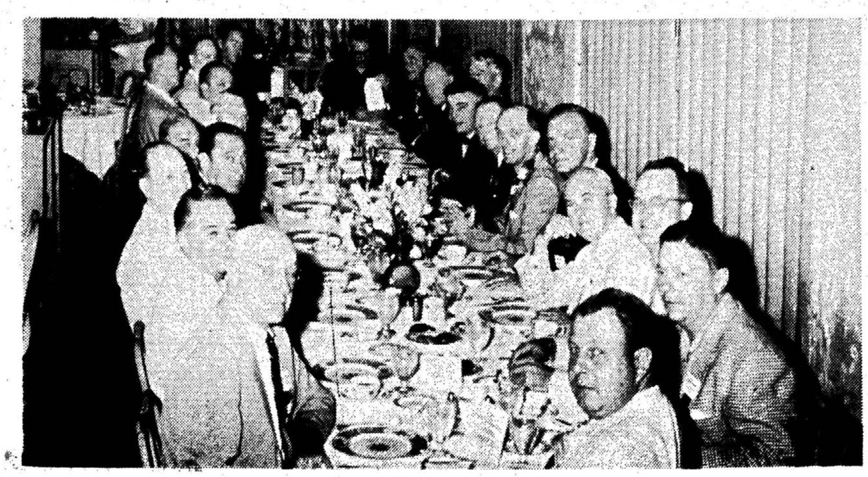
Joseph Banks, *Blyth & Co., Inc.*, New York; Mrs. Sidney Mohr, Jr., Montgomery, Ala.; Erwin W. Boehmler, *Investment Bankers Association*, Washington, D. C.



Mr. & Mrs. Charles S. Vrtis, *Glore, Forgan & Co.*, Chicago; Gordon Calvert, *Investment Bankers Association of America*, Washington, District of Columbia

Mr. & Mrs. John P. Labouisse, *Howard, Weil, Labouisse, Friedrichs & Co.*, New Orleans; Mr. & Mrs. J. B. Sanford, Jr., *White, Hattier & Sanford*, New Orleans

Municipal Securities Committee breakfast meeting

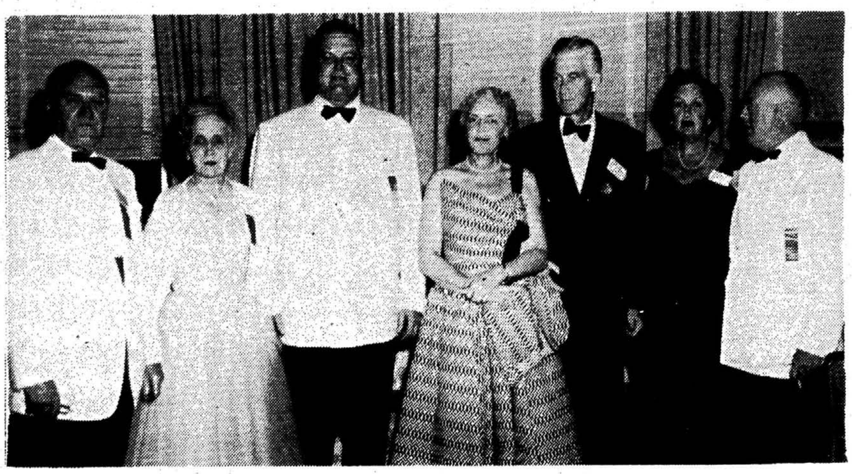


Stock Exchange Relations Committee breakfast meeting

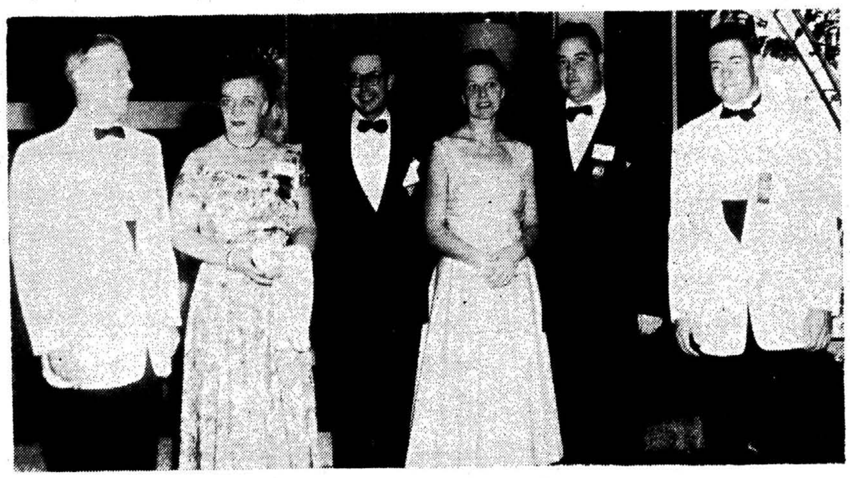
Ben Tobin, *Hollywood Beach Hotel;* Mrs. Frank H. Morse, New York City

Edward C. Gray, *New York Stock Exchange*; Chapin S. Newhard, *Newhard, Cook & Co.*, St. Louis; Mrs. Edward C. Gray; Joseph T. Johnson, *The Milwaukee Company*, Milwaukee

Mr. & Mrs. Chapin S. Newhard, *Newhard, Cook & Co.*, St. Louis



Mr. & Mrs. Ira G. Jones, *National Securities & Research Corporation*, Boston; L. L. Moorman, *National Securities & Research Corporation*, Rutherford, N. C.; Mr. & Mrs. James C. Warren, *A. M. Kidder & Co.*, New York; Mr. & Mrs. Henry J. Simonson, *National Securities & Research Corp.*, N. Y.

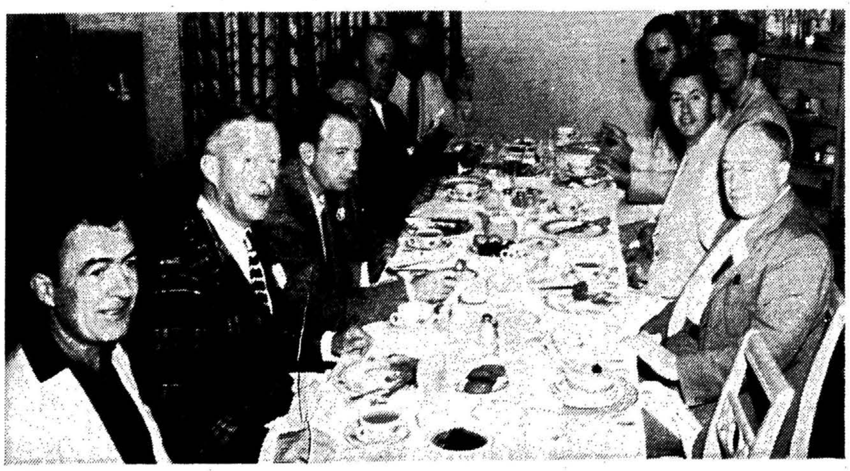


Mr. & Mrs. Charles F. Matton, *Wachovia Bank & Trust Co.*, Winston-Salem; Mr. & Mrs. Henry J. Blackford, Jr., *A. M. Law & Company*, Spartanburg, S. C.; Oscar B. Wood, Jr., *Southern Securities Corporation*, Savannah, Ga.; Frank A. Chisholm, *Varnedoe, Chisholm & Co.*, Savannah, Ga.

Mr. & Mrs. Arthur Wiesenberger, *Arthur Wiesenberger & Co.*, New York; Mr. & Mrs. Albert R. Hughes, *Lord, Abbett & Co.*, N. Y.

Mr. & Mrs. George Lestrange, *Arthurs, Lestrange & Co.*, Pittsburgh; Mr. & Mrs. Harold R. Chapel, *McDonald-Moore & Co.*, Detroit

Mr. & Mrs. Joseph H. Fauset, *Fauset, Steele & Co.*, Pittsburgh; Mr. & Mrs. Richard W. Wild, *First California Company*, San Francisco



Syndicate Committee meeting

State Legislation Committee meeting

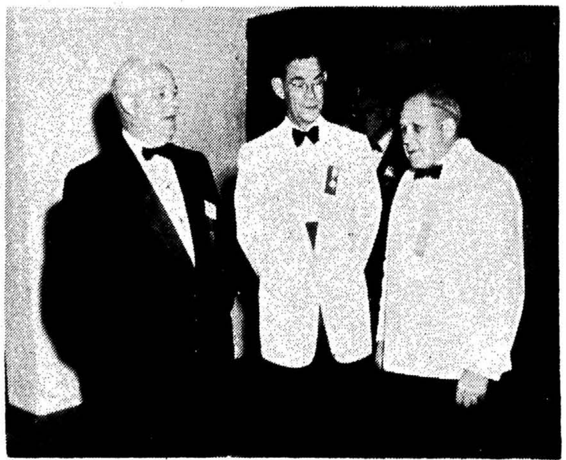
Mr. & Mrs. Harrison Clarke, *Johnson, Lane, Space & Co.*, Atlanta

Mr. & Mrs. Thorburn Rand, *Rand & Co.*, New York City; Albert D. Putnam, *Putnam & Co.*, Hartford; Mr. & Mrs. Powhatan M. Conway, *Bankers Bond Co., Inc.*, Louisville, Ky.

Mr. & Mrs. Jesse P. Donnally, *Peoples National Bank*, Charlottesville, Va.

Erwin Boehlmer, *Investment Bankers Association*, Washington, D. C.; Mr. & Mrs. Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia; Mr. & Mrs. John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.

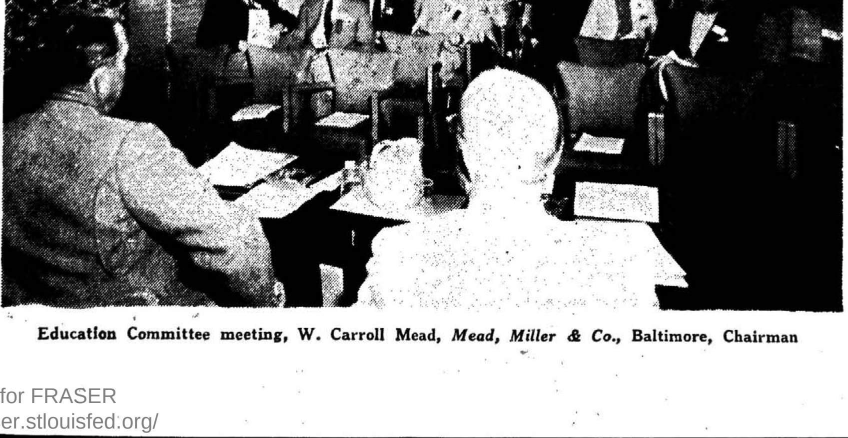
William Russell Barrow, *Barrow, Leary & Co.*, Shreveport, La.; Mrs. Albert T. Armitage, Boston; William P. Sharpe, *Mercantile Trust Company*, St. Louis; Mrs. Wiliam Russell Barrow, Shreveport; Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston



James S. Abrams, *Allen & Company*, New York; Harold J. Schluter, *First National Bank*, Chicago; John S. Linen, *Chase National Bank*, New York City

Edward B. Hall, *Foreign Operations Administrator*, Washington, D. C.; Charles A. Capek, *Lee Higginson Corporation*, Chicago; Mr. & Mrs. John F. Bolger, *Shillinglaw, Bolger & Co.*, Chicago

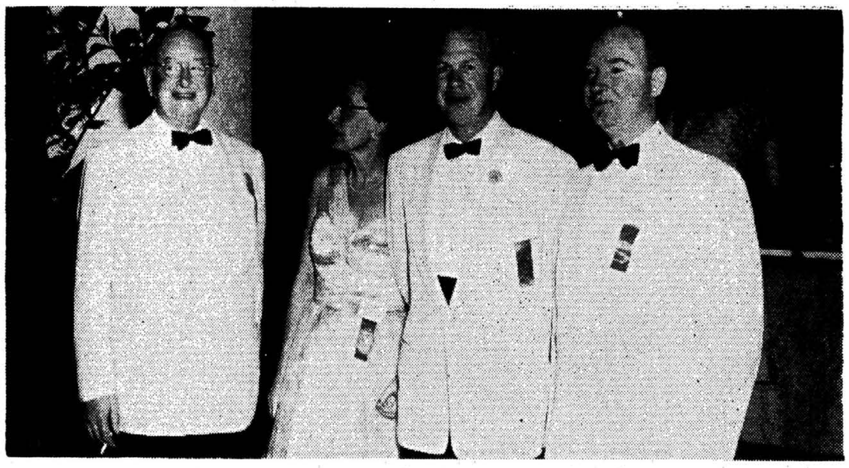
Emery Flinn, *Oscar E. Dooly & Co.*, Miami; Mrs. Eloise Budde, Miami; Miss Sybil Barge, Miami; J. Denny May, *The Parker Corporation*, Boston



Education Committee meeting, W. Carroll Mead, *Mead, Miller & Co.*, Baltimore, Chairman

Industrial Securities Committee meeting

Mr. & Mrs. Harry L. Sebel, *Hugh W. Long & Co., Inc.*, Chicago

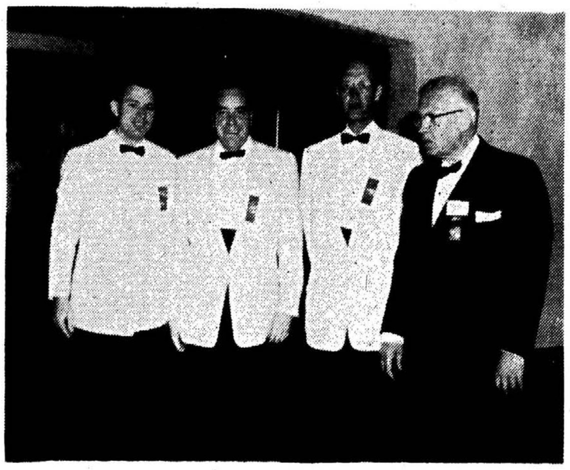


Willard A. Lynch, *W. C. Langley & Co.*, New York; Mr. & Mrs. Edgar J. Loftus, *W. C. Langley & Co.*, New York; John Brick, *Paine, Webber, Jackson & Curtis*, New York

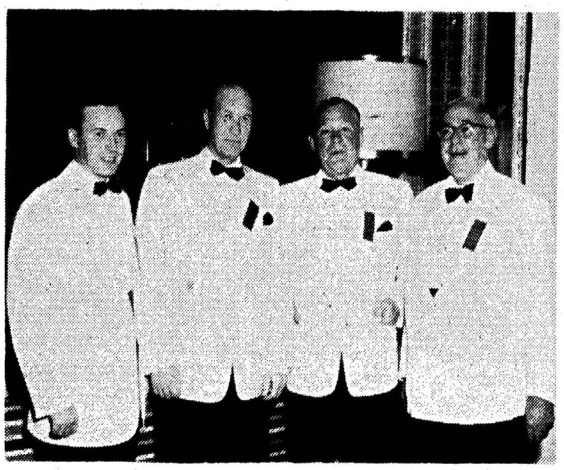
Mr. & Mrs. Albert Roberts, Jr., *Goodbody & Co.*, St. Petersburg, Fla.

Mr. & Mrs. Wm. N. Edwards, *William N. Edwards & Co.*, Ft. Worth, Texas; Mr. & Mrs. Robert R. Gilbert, Jr., *First National Bank in Dallas*

Mr. & Mrs. Rudolf Smutny, *Salomon Bros. & Hutzler*, New York; Mr. & Mrs. Robert E. Broome, *Guaranty Trust Company*, New York



William J. Roberts, *Glore, Forgan & Co.*, Chicago; William H. Watterson, *Fahey, Clark & Co.*, Cleveland; William E. Lucas, *Baxter, Williams & Co.*, Cleveland; W. Shannon Hughes, *Raffensperger, Hughes & Co.*, Indianapolis



Henry Stravitz, *Swiss American Corp.*, New York; Frank C. Trubee, Jr., *Trubee, Collins & Co.*, Buffalo; Hale L. Montgomery, *Interstate Securities Corporation*, New York; Robert E. Nowlan, *Stroud and Company, Incorporated*, New York

Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine*, Philadelphia; Gordon Crouter, *De Haven & Townsend, Crouter & Bodine*, Philadelphia; William L. Liebman, *Loewi & Co.*, Milwaukee; G. Edward Slezak, *Loewi & Co.*, Milwaukee

Mr. & Mrs. Hugh Bass, *Keith Reed & Co.*, Dallas; Mr. & Mrs. Hunter Breckenridge, *McCourtney-Breckenridge & Co.*, St. Louis; Mr. & Mrs. Wm. Russell Barrow, *Barrow, Leary & Co.*, Shreveport, La.

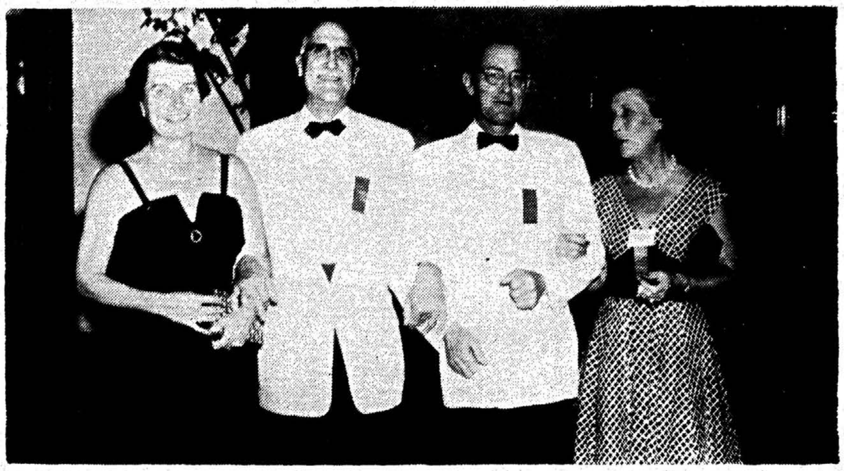
Mr. & Mrs. J. Marvin Moreland, *J. Marvin Moreland & Co.*, Galveston, Tex.; Mr. & Mrs. Eugene D. Vinyard, *Central Investmetnt Co.*, Dallas

J. R. Staples, *Fulton, Reid & Co.,* Cleveland; Robert B. Blyth, *National City Bank,* Cleveland

Mr. & Mrs. Guillermo Rodriguez, *Government Development Bank,* Puerto Rico; William G. Carrington, Jr., *Ira Haupt & Co.,* New York; Mr. & Mrs. Donald R. Bonniwell, *Cruttenden & Co.,* Chicago

Mr. & Mrs. Frederick W. Straus, *Straus, Blosser & McDowell,* Chicago

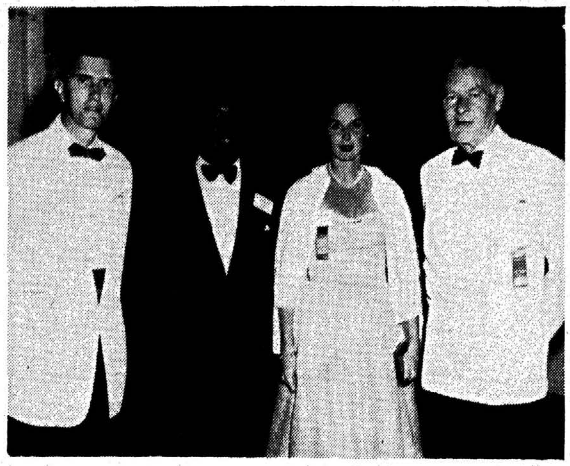
Mr. & Mrs. John Brick, *Paine, Webber, Jackson & Curtis,* New York; Mr. & Mrs. George T. Flynn, *Hornblower & Weeks,* New York



Mr. & Mrs. William W. Mackall, *Mackall & Coe,* Washington D. C.; Mr. & Mrs. Wm. H. P. Townsend, *E. W. Clark & Co.,* Philadelphia

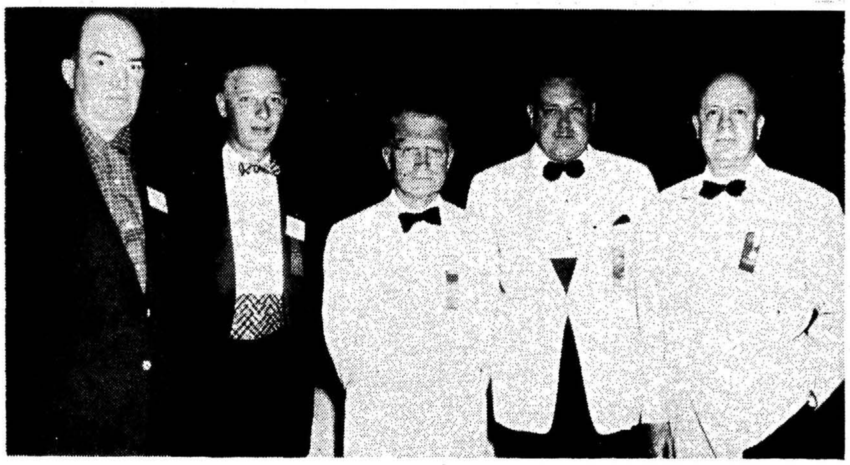
W. Carroll Mead, *Mead, Miller & Co.,* Baltimore; Mrs. Roderick D. Moore; Henry L. Valentine, *Davenport & Co.,* Richmond; B. B. Munford, 3rd, *Davenport & Co.,* Richmond

George B. Wendt, *First National Bank of Chicago;* Mary Lincoln, *Investment Bankers Association,* Washington, D. C.; Gordon L. Calvert, *Investment Bankers Association,* Washington, D. C.



Philip R. Neuhaus, *Underwood, Neuhaus & Co.,* Houston; Mr. & Mrs. Howard B. Dean, *Harris, Upham & Co.,* New York; William A. Parker, The Parker Corporation, Boston

Mr. & Mrs. James C. Warren, *A. M. Kidder & Co.,* New York; Mr. & Mrs. Charles L. Hewitt, *Francis I. du Pont & Co.,* New York; Mrs. Daniel O'Day, New York; J. R. Staples, *Fulton, Reid & Co.,* Cleveland; Craig Severance, *F. Eberstadt & Co.,* New York



Alfred J. Ross, *Dick & Merle-Smith,* New York; A. Peter Knoop, *Auchincloss, Parker & Redpath,* New York; Mead A. Lewis, *Dick & Merle-Smith,* New York; Charles L. Churchill, *Scott, Horner & Mason,* Lynchburg, Va.; Edwin B. Horner, *Scott, Horner & Mason,* Lynchburg, Va.

Mr. & Mrs. Kurt H. Grunebaum, *New York Hanseatic Corporation*, New York

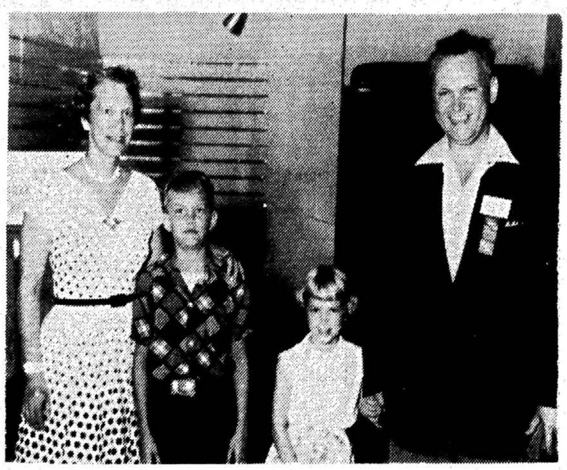
W. L. Lyons, *W. L. Lyons & Co.*, Louisville; Mrs. Roderick D. Moore; Mr. & Mrs. James W. Chandler, *W. L. Lyons & Co.*, Louisville; Roderick D. Moore, *Branch, Cabell & Co.*, Richmond

Mr. & Mrs. Wilbur Hess, *Fridley & Hess*, Houston

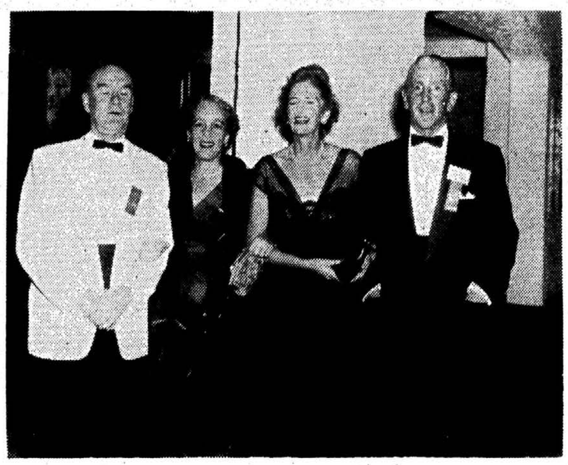
Mr. & Mrs. Neill T. Masterson, Jr., *Chas. B. White & Co.*, Houston; Mr. & Mrs. W. C. Jackson, Jr., *First Southwest Company*, Dallas; Mr. & Mrs. Thomas Beckett, *First Southwest Company*, Dallas

Mr. & Mrs. Seymour Fabricant, *Wm. E. Pollock & Co.*, New York City; H. Albert Ascher, *Wm. E. Pollock & Co.*, New York City; Mr. & Mrs. William E. Pollock, *Wm. E. Pollock & Co.*, New York City

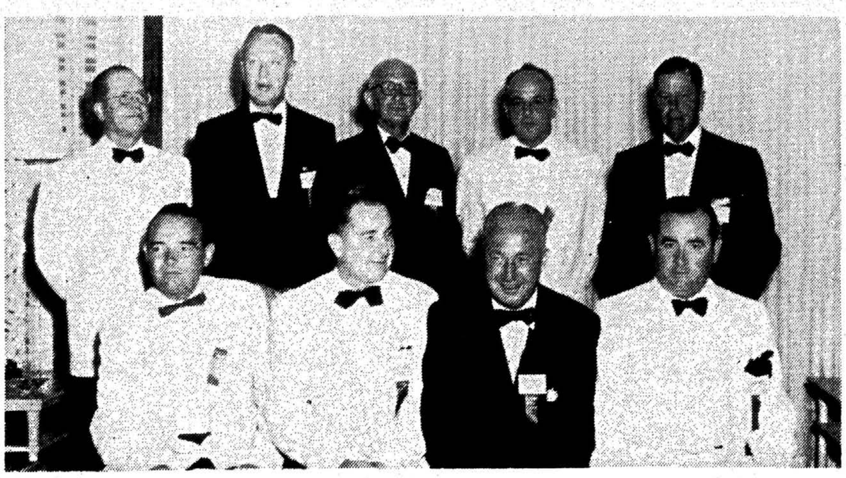
Mr. & Mrs. Neil T. Masterson, Jr., *Chas. B. White & Co.*, Houston; Mr. & Mrs. Hugh Bass, *Keith Reed & Co.*, Dallas



Mrs. Walter H. Stohl, Drew Stohl, Beverly Stohl, Walter H. Stohl, *Fidelity Union Trust Company*, Newark, N. J.



Mr. & Mrs. C. T. Williams, Jr., *C. T. Williams & Co.*, Baltimore; Mr. & Mrs. Karl P. Herzer, *R. L. Day & Co.*, New York City

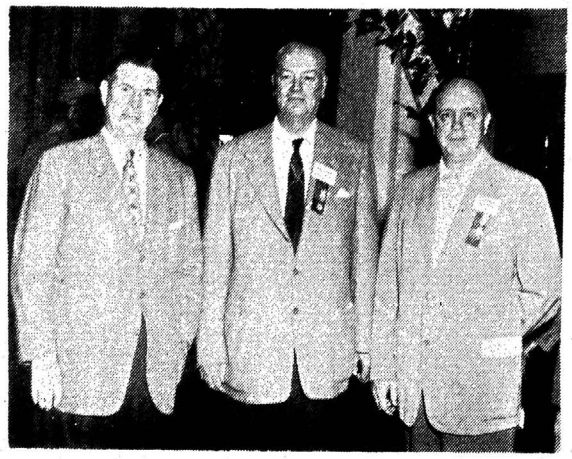


(standing) Robert H. Cook, *B. J. Van Ingen & Co., Inc.*, Miami; Alex Seidler, Jr., *National State Bank*, Newark, N. J.; Anthony E. Tomasic, *Thomas & Co.*, Pittsburgh; Merrill Freeman, *Salomon Bros. & Hutzler*, New York City; Edward H. Hills, *Eldredge & Co.*, New York
(seated) Richard N. Rand, *Rand & Co.*, New York City; Robert K. Halloran, *Robert Winthrop & Co.*, New York City; Monroe V. Poole, *Geo. B. Gibbons & Co.*, New York City; L. Walter Dempsey, *B. J. Van Ingen & Co., Inc.*, New York City

Mrs. Richard N. Rand, New York; Mrs. Alex Seidler, Jr., Newark, N. J.; Mrs. Merrill Freeman, New York City; Mrs. L. Walter Dempsey, New York City; Mrs. Robert K. Halloran, New York City; Mrs. E. H. Hills, New York City; Mrs. A. E. Tomasic, Pittsburgh; Mrs. M. V. Poole, New York City;

John P. Labouisse, *Howard, Weil, Labouisse, Friedrichs & Co.*, New Orleans; Mr. & Mrs. G. Shelby Friedrichs, *Howard, Weil, Labouisse, Friedrichs & Co.*, New Orleans; Mr. & Mrs. Edward D. Muir, *Muir Investment Corp.*, San Antonio; David F. Anderson, *Muir Investment Corp.*, San Antonio

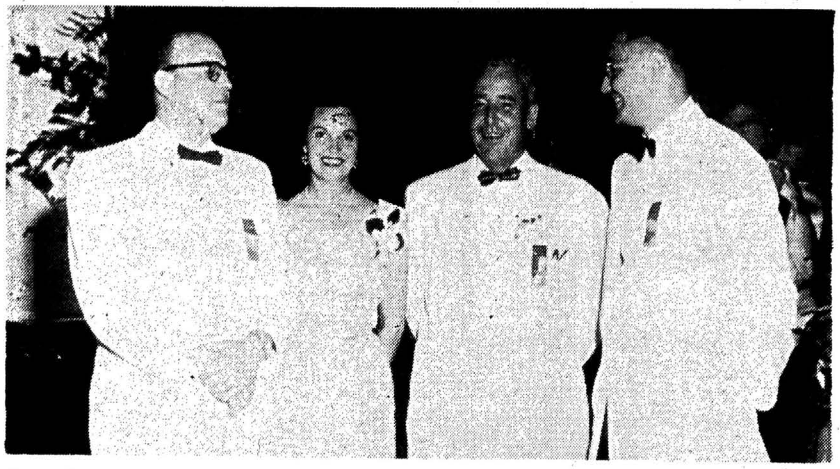
Mrs. Graham Walker, New York; Jerome F. Tegeler, *Dempsey-Tegeler & Co.*, St. Louis; Wm. P. Sharpe, *Mercantile Trust Company*, St. Louis; Mr. & Mrs. Arthur Quinn, *Quinn & Co.*, Albuquerque, N. Mex.



William Shawell, *Shawell & Company*, Houston, Texas; Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia; Edwin B. Horner, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.

Wayne R. Benzing, *Granbery, Marache & Co.*, New York; William J. Sloan, *Bradschamp & Company*, Houston; Arthur J. C. Underhill, *Arthur Wiesenberger & Co.*, New York

Earle Gatchell, *Hayden, Stone & Co.*, New York; Mr. & Mrs. Robert A. Podesta, *Cruttenden & Co.*, Chicago; Theodore C. Henderson, *T. C. Henderson & Co., Inc.*, Des Moines



James F. Jacques, *First Southwest Company*, Dallas; Mrs. Edward B. Wulbern, Jacksonville, Fla.; Samuel L. Varnedoe, *Varnedoe, Chisholm & Co.*, Savannah, Ga.; W. Marshall Schmidt, *Drexel & Co.*, Philadelphia

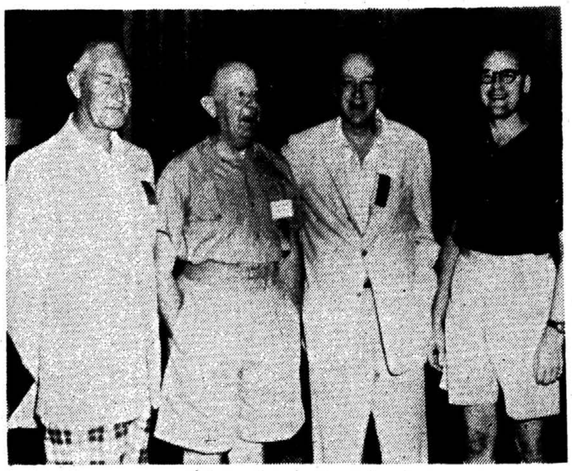
Mrs. Theodore A. Von Glahn, Benjamin J. Levy, Theodore A. Von Glahn, Mrs. Harry Brown, Mrs. Benjamin A. Levy, Harry Brown, Mr. & Mrs. Merrill Freeman, all of *Salomon Bros. & Hutzler*, New York

Mary Lincoln, *Investment Bankers Association*, Washington; Mrs. Warren Gould, *Investment Bankers Association*, Washington; Mr. & Mrs. Dudley C. Smith, *Investment Bankers Association*, Chicago; Mr. & Mrs. Jentry S. Holmes, *Investment Bankers Association*, Washington

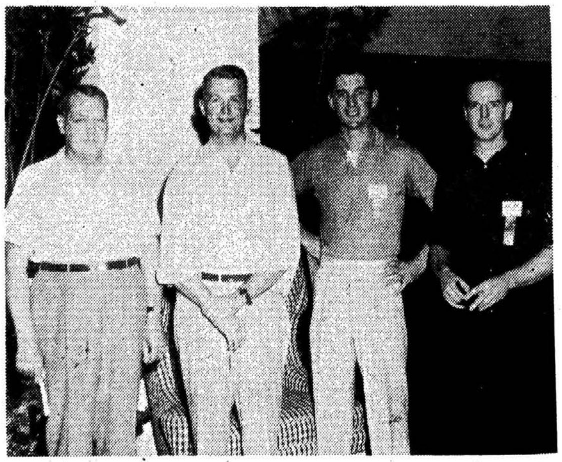
Edward J. Meyers, *Laidlaw & Co.*, New York; Bert Horning, *Stifel, Nicolaus & Co., Incorporated*, St. Louis; Joseph A. Glynn, Jr., *Blewer, Heitner & Glynn*, St. Louis; Frank L. Lucke, *Laidlaw & Co.*, New York City

Henry R. Hallowell, *Hallowell, Sulzberger & Co.*, Philadelphia; Todd Cartwright, *Sweney, Cartwright & Co.*, Columbus, Ohio; Mrs. John J. Clapp, New York; E. Jansen Hunt, *White, Weld & Co.*, New York; Mrs. Alfred J. Ross, New York; Ewing T. Boles, *The Ohio Company*, Columbus, Ohio; Mrs. Charles S. Barrington, New York

(standing) Mr. & Mrs. Edward S. Amazeen, *Coffin & Burr, Incorporated*, Boston; Mrs. Albert T. Armitage; Edward S. Johnston, *Wood, Gundy & Co., Inc.*, New York; Arthur S. Torrey, *W. C. Pitfield & Co.*, Montreal; Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston (seated) Mrs. Arthur S. Torrey; Mrs. Edward S. Johnston; Mrs. Leslie Simmonds, Miami; Miss Lila Lee Hillbom



J. Raymond Smith, *Weeden & Co.*, New York; John L. Gaerste, *Cooley & Co.*, Hartford; G. Leonhard Boveroux, *Robert Garrett & Sons*, New York; Raymond D. Stitzer, *Equitable Securities Corporation*, New York



Charles L. Churchill, *Scott, Horner & Mason*, Lynchburg, Va.; Coleman Trainor, *Peoples National Bank*, Charlottesville, Va.; Beverley B. Munford, 3rd, *Davenport & Co.*, Richmond; Henry L. Valentine, *Davenport & Co.*, Richmond

Harold R. Chapel, *McDonald-Moore & Company*, Detroit, Mich.; James W. Speas, *Norris & Hirschberg, Inc.*, Atlanta; James S. Budd, Jr., *Citizens & Southern National Bank*, Atlanta; Ralph W. Simonds, *Baker, Simonds & Co.*, Detroit

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John Small, *John Small & Co.*, New York; Edwin B. Horner, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.; Donald Green, *Glore, Forgan & Co.*, New York; Edmund C. Byrne, *Byrne & Phelps*, New York; John Fitterer, *Kuhn, Loeb & Co.*, New York

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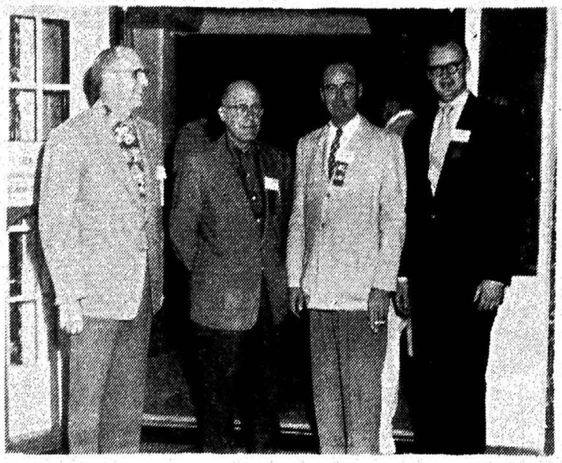

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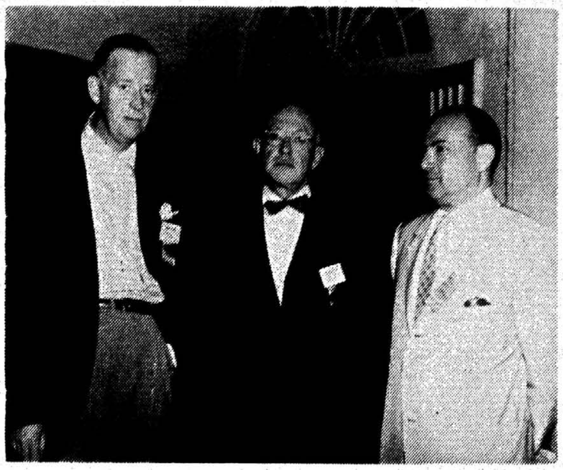

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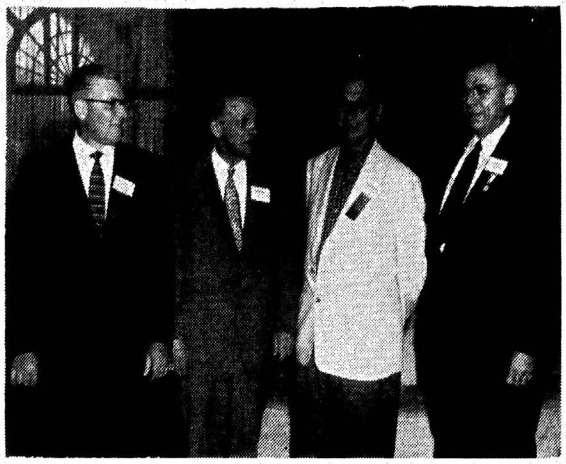
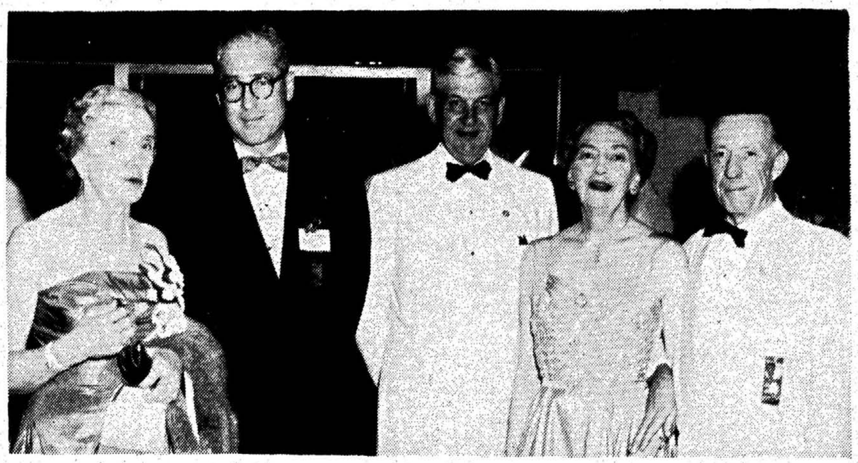


Gilbert Hattier, Jr., *White, Hattier & Sanford*, New Orleans, La.; Rucker Agee, *Sterne, Agee & Leach*, Birmingham, Ala.; Jesse P. Donnally, *Peoples National Bank*, Charlottesville, Va.; F. Vincent Reilly, *Commercial & Financial Chronicle*

Thomas E. King, *Dempsey-Tegeler & Co.*, Chicago; Mrs. George M. McCleary, St. Petersburg, Fla.; Mr. & Mrs. Robert A. Podesta, *Cruttenden & Co.*, Chicago; Mr. & Mrs. Donald B. Stephens, *Cruttenden & Co.*, Chicago



Mrs. Joseph T. Johnson, Milwaukee; John F. Bauman, *The Milwaukee Co.*, Milwaukee; Mr. & Mrs. Albert T. Armitage, *Coffin & Burr, Incorporated*, Boston; Chapin S. Newhard, *Newhard, Cook & Co.*, St. Louis

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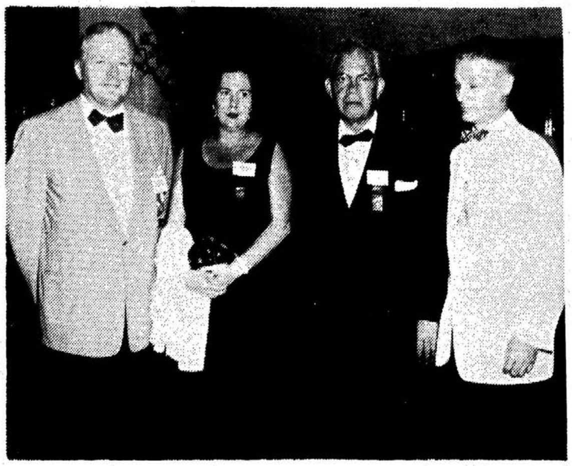
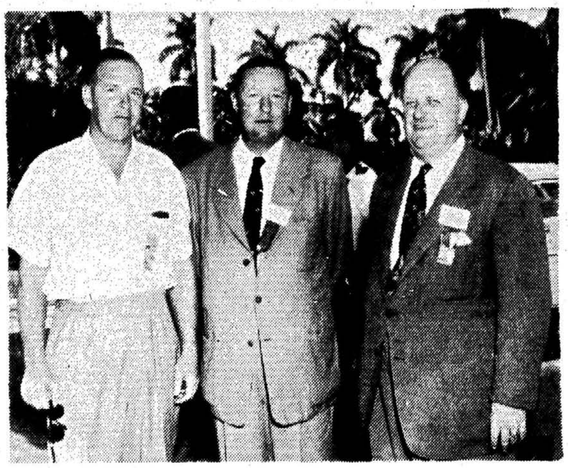
Mrs. Charles Carey, Chicago; Mrs. A. G. Pickard, Chicago; Mr. & Mrs. Hardin H. Hawes, *Harris Trust & Savings Bank*, Chicago; A. G. Pickard, *Burns, Corbett & Pickard*, Chicago

R. George Le Vind, *Blyth & Co., Inc.*, New York; Arthur E. Goodwin, Jr., *Rowles, Winston & Co.*, Houston; Carr Payne, *Cumberland Securities Corporation*, Nashville; C. A. Schoeneberger, *Central Republic Company*, Chicago; Kenneth H. Wood, *J. C. Bradford & Co.*, New York City; Carl H. Doerge, *William J. Mericka & Co.*, Cleveland; George P. Kenny, *Willis, Kenny & Ayres*, Richmond

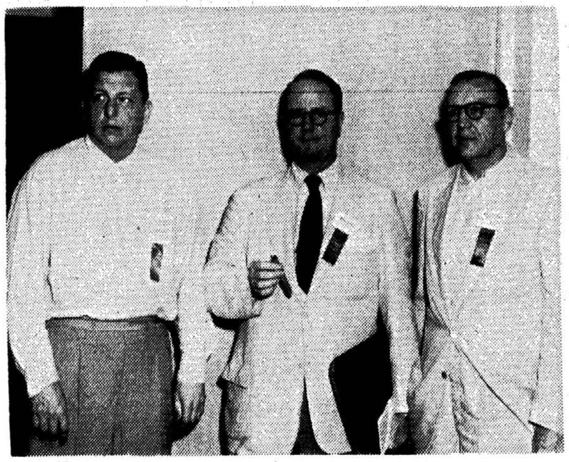
Jack M. Heimerdinger, *Walter, Woody & Heimerdinger*, Cincinnati, Ohio; Francis X. Coleman, *Gregory & Son*, New York City; E. J. Altgelt, Jr., *Harris Trust & Savings Bank*, New York; Gene Marx, *Bear, Stearns & Co.*, New York; John S. Linen, *Chase National Bank*, New York; Herman M. Magnus, *Magnus & Co.*, Cincinnati



Paul L. Mullaney, *Mullaney, Wells & Co.* Chicago; Mr. & Mrs. William E. Lucas, *Baxter, Williams & Co.*, Cleveland; Peter A. Knoop, *Auchincloss, Parker & Redpath*, Washington, D. C.



Lewis F. Lyne, *Mercantile National Bank*, Dallas; Charles C. Pierce, *Rauscher, Pierce & Co.*, Dallas; Walter H. Weed, Jr., *Union Securities Corporation*, New York

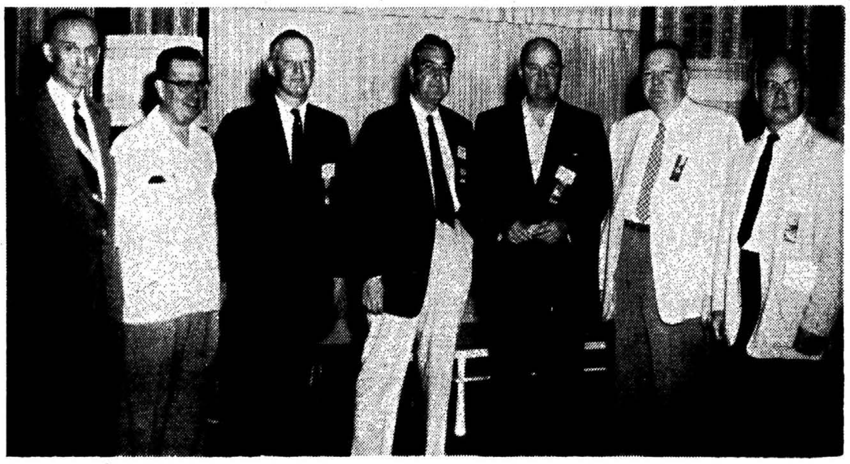


H. Sheldon Parker, *Kay, Richards & Co.*, Pittsburgh; Murray Hanson, *Investment Bankers Association*, Washington, D. C.; Nathan K. Parker, *Kay, Richards & Co.*, Pittsburgh

Mr. & Mrs. Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.; Mr. & Mrs. Alfred H. Hauser, *Chemical Corn Exchange Bank*, New York; E. J. Altgelt, Jr., *Harris Trust & Savings Bank*, N. Y. C.

Mr. & Mrs. Norman W. Hunter, *Camp & Co.*, Portland, Oreg; Harry B. Snyder, *Yarnall, Biddle & Co.*, Philadelphia; Mr. & Mrs. Alfred R. McBride, *Wright, Wood & Co.*, Philadelphia

Mr. & Mrs. Elwood D. Boynton, *Hallgarten & Co.*, New York; Mrs. Joseph W. Sener, Baltimore; Mrs. C. Gerard Morgan, Jr., Baltimore; Mr. & Mrs. Harold G. Laun, *F. S. Moseley & Co.*, Chicago; Howard B. Dean, *Harris, Upham & Co.*, New York; Erwin R. Schweickhardt, *Schweickhardt & Co.*, New Orleans

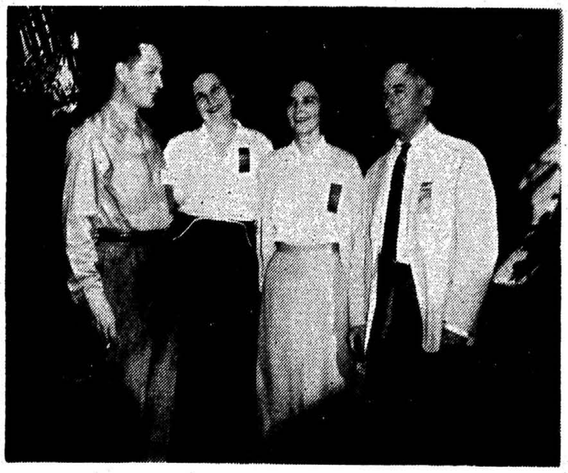


E. Ray Allen, *E. Ray Allen & Co.*, Chicago; C. A. Schoeneberger, *Central Republic Company*, Chicago; Paul W. Fairchild, *First Boston Corporation*, Chicago; G. Edward Slezak, *Loewi & Co.*, Milwaukee; Richard W. Simmons, *Blunt Ellis & Simmons*, Chicago; D. Dean McCormick, *McCormick & Co.*, Chicago; Edde K. Hays, *Central Republic Company*, Chicago

A. G. Pickard, *Burns, Corbett & Pickard,* Chicago; Victor H. Zahner, *Zahner & Company,* Kansas City, Mo.; Harry Beecroft, *Beecroft, Cole & Co.,* Topeka, Kans.; Duane T. Smith, *Small-Milburn Company, Inc.,* Wichita, Kans.; Frank C. Carr, *John Nuveen & Co.,* Chicago

John T. Knox, *Federal Land Banks,* New York; John F. Egan, *First California Company,* San Francisco; Charles H. Loomis, *First National Bank,* St. Paul; James M. Powell, *Boettcher and Company,* Denver; Hugh Bullock, *Calvin Bullock,* New York City; Robert E. Clark, *Calvin Bullock, New York City*

Mrs. W. Neal Fulkerson, Jr., New York; Floyd F. Stansberry, *Bankers Trust Company,* New York; Mr. & Mrs. Monroe V. Poole, *Geo. B. Gibbons & Co.,* New York



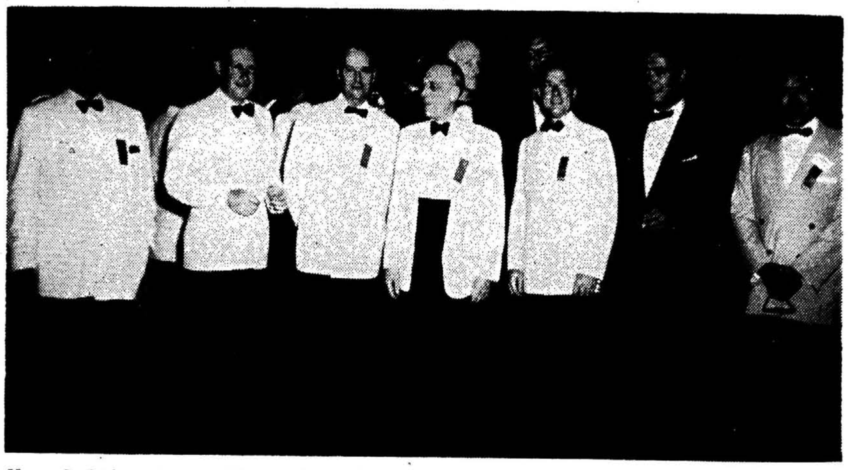
Mr. & Mrs. William C. Porter, *Dittmar & Company,* San Antonio; Mr. & Mrs. John W. Pancoast, *Dewar, Robertson & Pancoast,* San Antonio

Milton G. Hulme, *Glover & MacGregor, Inc.,* Pittsburgh; Henry R. Hallowell, *Hallowell, Sulzberger & Co.,* Philadelphia; Mrs. David H. Callaway, Jr., New York City

Joseph L. Morris, *Robinson-Humphrey & Company,* Atlanta; Mr. & Mrs. James S. Budd, Jr., *Citizens & Southern National Bank,* Atlanta; Mr. & Mrs. J. Hollis Austin, *J. W. Tindall & Company,* Atlanta

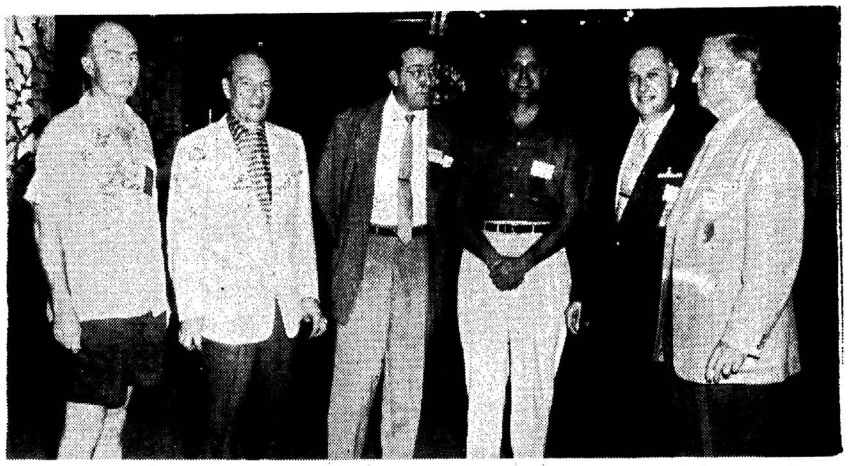
Mr. & Mrs. James H. Lemon, *Johnston, Lemon & Co.,* Washington, D. C.; Mr. & Mrs. Harvey B. Gram, Jr., *Johnston, Lemon & Co.,* Washington, D. C.

Sidney J. Mohr, Jr., *Thornton, Mohr & Co.,* Montgomery, Ala.; F. Monroe Alleman, *Leedy, Wheeler & Alleman,* Orlando, Fla.; Loomis C. Leedy, Jr., *Leedy, Wheeler & Alleman,* Orlando, Fla.; Edward B. Wulbern, *Pierce, Carrison, Wulbern, Inc.,* Jacksonville; Charles F. Conners, *Pohl & Co.,* Cincinnati, Ohio; E. M. Bancroft, *Stranahan, Harris & Co.,* Toledo; Kenneth S. Johnson, *Indianapolis Bond & Share Corporation,* Indianapolis; Richard Morey, *A. G. Edwards & Sons,* St. Louis



Henry R. Bishop, *Fordon, Aldinger & Co.,* Detroit; Arthur Quinn, *Quinn & Co.,* Albuquerque, N. Mex.; Herbert R. Anderson, *Distributors Group, Incorporated,* New York; Ralph Fordon, *Fordon, Aldinger & Co.,* Detroit; John L. Ahbe, *Distributors Group, Incorporated* New York; Graham Walker, *Joseph McManus & Co.,* New York; Harold X. Schreder, *Distributors Group, Incorporated,* New York; Timothy H. Dunn, *Southwestern Securities Company,* Dallas; Hugh Bradford, *Southwestern Securities Company,* Dallas

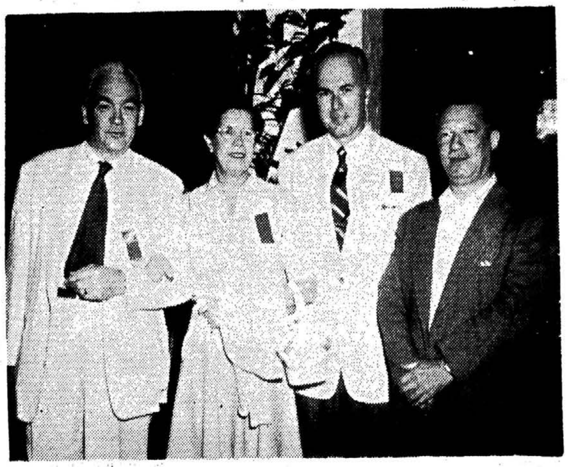
Richard N. Rand, *Rand & Co.*, New York; Arthur R. Robinson, *Anderson & Strudwick*, Richmond; L. Walter Dempsey, *B. J. Van Ingen & Co., Inc.*, New York; Harold E. Leaf, *R. D. White & Co.*, New York; Monroe V. Poole, *Geo. B. Gibbons & Co.*, New York; Edward H. Hills, *Eldredge & Co.*, New York; Robert V. Wehrheim, *Philadelphia National Bank*, Philadelphia



J. Bradley Green, *Guaranty Trust Company*, New York; Donald C. Patterson, *Chemical Corn Exchange Bank*, New York; Edward J. Meyers, *Laidlaw & Co.*, New York; John C. Clark, *Wachovia Bank & Trust Company*, Winston-Salem, N. C.; Wesley G. Schelke, *Seattle First National Bank*, Seattle; Charles F. Matton, *Wachovia Bank & Trust Company*, Winston-Salem, N. C.

R. George Le Vind, *Blyth & Co., Inc.*, New York City; James E. Roddy, *Scharff & Jones, Inc.*, New Orleans; Orlando S. Brewer, *Phelps, Fenn & Co.*, New York

S. H. Sampliner, *Bache & Co.*, Cleveland; Mr. & Mrs. Harry A. Jacobs, Jr., *Bache & Co.*, New York; Mrs. S. H. Sampliner



William P. Sharpe, *Mercantile Trust Company*, St. Louis; Mr. & Mrs. Delmont K. Pfeffer, *National City Bank of New York;* K. P. Tsolainos, *Baker, Weeks & Co.*, New York

Stewart A. Dunn, *C. J. Devine & Co.*, New York City; Mr. & Mrs. Charles F. Matton, *Wachovia Bank & Trust Company*, Winston-Salem, N. C.; Mr. & Mrs. Lewis Pollok, *Eddleman-Pollok Co.*, Houston; Charles H. Loomis, *First National Bank*, St. Paul; Mrs. Stewart A. Dunn; George J. Schaust, *First National Bank*, Minneapolis; Mr. & Mrs. Paul F. Eves, *Fidelity Trust Company*, Pittsburgh; Mr. & Mrs. John H. Middlemist, *Northwestern National Bank*, Minneapolis

Mr. & Mrs. George C. MacDonald, *McLeod, Young, Weir, Inc.*, New York; Mr. & Mrs. Fremont W. Robson, *F. B. Ashplant & Co.*, New York; Edwin F. Peet, *Burns Bros. & Denton*, New York; Mr. & Mrs. Telfer Hanson, *Burns Brothers & Denton*, Toronto; Mr. & Mrs. W. Harold Robertson, *Mills, Spence & Co.*, Toronto; Ed. H. Gunn, *Midland Securities Corpn.*, Toronto; Desmond Magee, *Dominion Securities Corporation*, New York

Elbridge S. Warner, *Hayden, Miller & Co.*, Cleveland; Mr. & Mrs. Howard Finney, Jr., *Bear, Stearns & Co.*, New York City; Mr. & Mrs. Dana F. Baxter, *Hayden, Miller & Co.*, Cleveland; Mr. & Mrs. Philip F. McLellan, *Fifty State Street Company*, Boston

Frederick J. Bolton, *Muir Investment Corp.*, San Antonio, Tex.; Robert L. Hatcher, *Chase National Bank*, New York City; Mrs. Frederick J. Bolton; Mrs. Andrew S. Mills, St. Louis; Joseph A. Glynn, Jr., *Blewer, Heitner & Glynn*, St. Louis; Mrs. William A. Happ, New York

Mr. & Mrs. Clyde C. Pierce, *Pierce, Carrison, Wulbern, Inc.*, Jacksonville, Fla.; John D. Baker, Jr., *Reynolds & Co.*, New York; Mrs. Edward Wulbern, Jacksonville, Fla.; Theodore C. Henderson, *T. C. Henderson & Co., Inc.*, Des Moines

Milton G. Hulme, *Glover & MacGregor, Inc.*, Pittsburgh; Miss Natalie Hulme; Mrs. Milton G. Hulme; Mr. & Mrs. Daniel O'Day, *Northern Trust Company*, New York; Mrs. Pat G. Morris, Chicago; Andrew K. Marchwald, *Discount Corporation of New York*, New York City

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Sidney L. Parry, *De Coppet & Doremus*, New York; Leonard J. Paidar, *Goodbody & Co.*, Chicago; Reginald P. Rose, *De Coppet & Doremus*, New York; Frank E. Voysey, *Kidder, Peabody & Co.*, Chicago; Walter V. Moffitt, *Kidder, Peabody & Co.*, New York

Mrs. Carr Payne, Nashville; Mrs. Sidney J. Mohr, Jr., Montgomery, Ala.; Mrs. Clyde C. Pierce, Jacksonville, Fla.; Mrs. Edward Muir, *Muir Investment Corp.*, San Antonio; Mrs. H. George Carrison, Jacksonville, Fla.; Mrs. Edward B. Wulbern, Jacksonville, Fla.; (seated) Mrs. Warren D. Chiles, Omaha; Mrs. Malon C. Courts, Atlanta; Mrs. G. Shelby Friedrichs, New Orleans

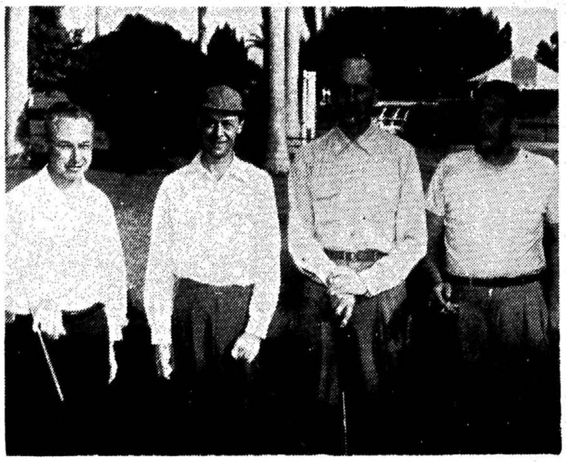
Harold G. Laun, *F. S. Moseley & Co.*, Chicago; Edward J. Jennett, *First National Bank*, Chicago; Mrs. Harold G. Laun; Matthew J. Hickey, III, *Hickey & Co.*, Chicago; Mr. & Mrs. Paul A. Just, *Television Shares Management Corp.*, Chicago

St. Louis Room Workers at Work

Southern Room

Edward D. Jones, *Edward D. Jones & Co.*, St. Louis; Paul B. Hanrahan, *Hanrahan & Co.*, Worcester, Mass.; Mr. & Mrs. Milton F. Lewis, *Ira Haupt & Co.*, New York

Mr. & Mrs. Edward A. Uhler, *R. S. Dickson & Co., Inc.*, New York; Mr. & Mrs. J. Murrey Atkins, *R. S. Dickson & Co.*, Charlotte, N. C.



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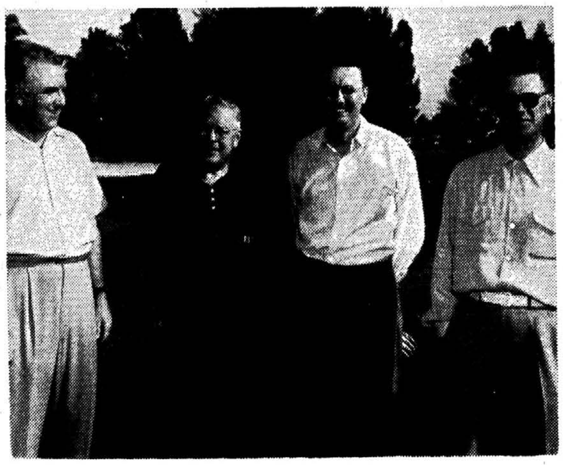
Bertram M. Wilde, *Janney & Co.*, Philadelphia; John F. Bunn, Jr., *Bioren & Co.*, Philadelphia; Morris Lloyd, *Drexel & Co.*, Philadelphia; Gordon Crouter, *De Haven & Townsend, Crouter & Bodine*, Philadelphia



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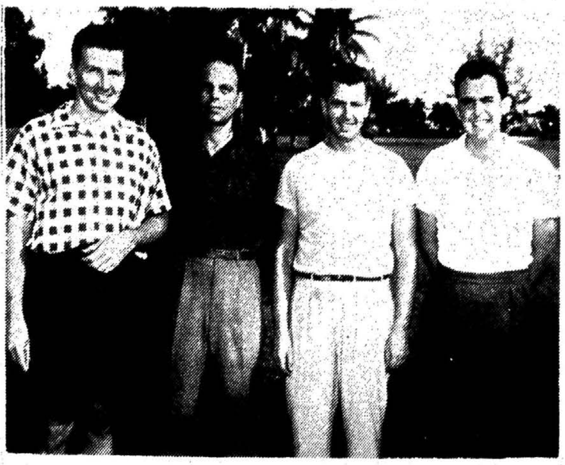
(standing) George B. Gibbons, *Geo. B. Gibbons & Co.*, New York; W. Shannon Hughes, *Raffensperger, Hughes & Co.*, Indianapolis; William S. Hughes, *Wagenseller & Durst, Inc.*, Los Angeles; Robert L. Hatcher, *Chase National Bank*, New York; Monroe V. Poole, *Geo. B. Gibbons & Co.*, New York; Floyd F. Stansberry, *Bankers Trust Company*, New York; L. Walter Dempsey, *B. J. Van Ingen & Co., Inc.*, New York; (seated) Mrs. Edward H. Hills, New York; Mrs. George B. Gibbons, New York; Mrs. W. Neil Fulkerson, Jr., New York; Mrs. Monroe V. Poole; Mrs. L. Walter Dempsey

Alfred G. Wilson, *Newburger, Loeb & Co.*, New York; Benjamin F. Peyser, *Newburger, Loeb & Co.*, New York; Harold W. Clark, *Clark Landstreet & Kirkpatrick*, Nashville, Tenn.; Frank A. Chisholm, *Varnedoe, Chisholm & Co.*, Savannah; William A. Devlin, *Reynolds & Co.*, New York City; (seated) Mr. & Mrs. Milton F. Lewis, *Ira Haupt & Co.*, New York; William G. Carrington, Jr., *Ira Haupt & Co.*, New York; George H. Armstrong, *New York Hanseatic Corp.*, New York

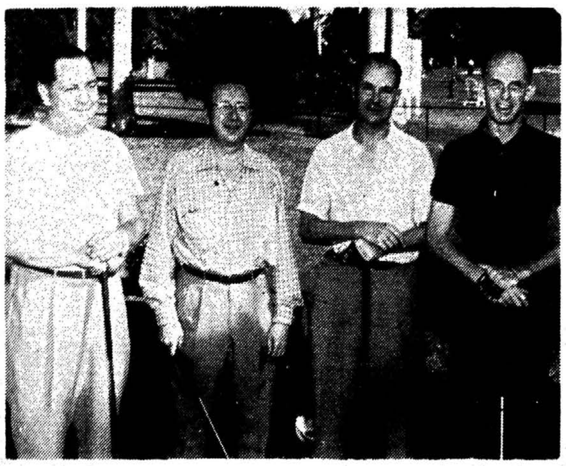
Allen C. Du Bois, *Wertheim & Co.*, New York; Eaton Taylor, *Dean Witter & Co.*, San Francisco; William M. Witter, *Dean Witter & Co.*, Chicago; Charles W. Fay, *Hooker & Fay*, San Francisco; James J. Lee, *W. E. Hutton & Co.*, New York

Mr. & Mrs. Frank G. Weller, *Wisener & Co.*, Toronto; Mr. & Mrs. William M. Alley, *A. E. Ames & Co., Inc.*, New York City; Robert P. Howard, *Gairdner & Co.*, Toronto

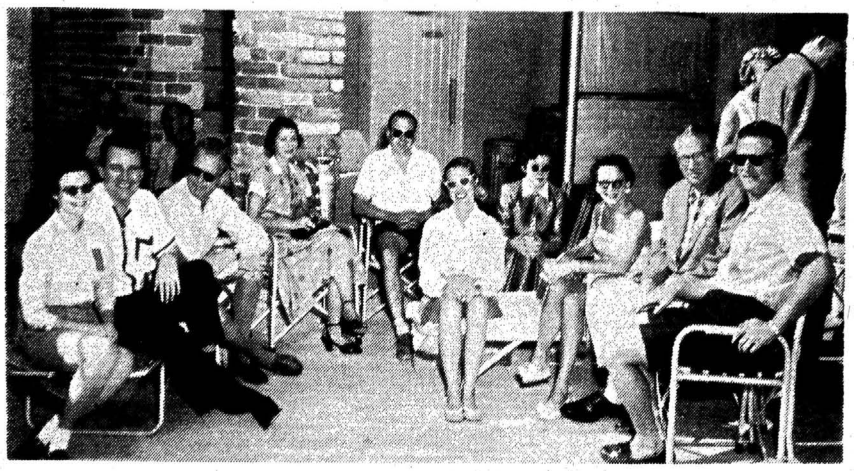


Donald S. Kennedy, *Stetson Securities Corp.*, New York City; William M. Cahn, Jr., *Henry Herrman & Co.*, New York City; W. Scott Cluett, *Harriman Ripley & Co., Incorporated*, New York City; John S. Hilson, *Wertheim & Co.*, New York City

David B. McElroy, *J. P. Morgan & Co., Inc.*, New York; E. J. Altgelt, Jr., *Harris Trust & Savings Bank*, New York; W. Neil Fulkerson, Jr., *Bankers Trust Company*, New York; Edward McGrew, *Northern Trust Company*, Chicago; G. C. Stevenson, *Bacon, Stevenson & Co.*, New York



Sidney L. Parry, *De Coppet & Doremus*, New York; Stephen G. McKeon, *Chas. W. Scranton & Co.*, New Haven; Herbert R. Anderson, *Distributors Group, Incorporated*, New York; Frank L. Newburger, Jr., *Newburger & Co.*, Philadelphia



Mr. & Mrs. John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.; Graham Walker, *Joseph McManus & Co.*, New York; Mrs. Richard K. Buechler; Mr. & Mrs. Hugh Bradford, *Southwestern Securities Company*, Dallas; Mrs. Timothy H. Dunn; Mrs. Graham Walker; Richard K. Buechler, *E. F. Hutton & Company*, New York; Timothy H. Dunn, *Southwestern Securities Company*, Dallas

(standing) Howard Butcher III, *Butcher & Sherrerd*, Philadelphia; Robert W. Ewing, *A. E. Masten & Co.*, Wheeling, W. Va.; Ernest Dorbritz, *Moore, Leonard & Lynch*, Pittsburgh; Frederick T. Seving, *Butcher & Sherrerd*, Philadelphia; Mrs. Robert W. Ewing; Mrs. Howard Butcher III; Mrs. Frederick T. Seving

Mrs. John C. Hagan, Richmond, Va.; Mrs. James J. Lee, New York City; W. T. Kemble, *Estabrook & Co.*, Boston; Mrs. William Rex, New York

Mr. & Mrs. David McElroy, *J. P. Morgan & Co., Inc.*, New York City; Mrs. George Aldrich, Boston; Forrester A. Clark, *H. C. Wainwright & Co.*, Boston

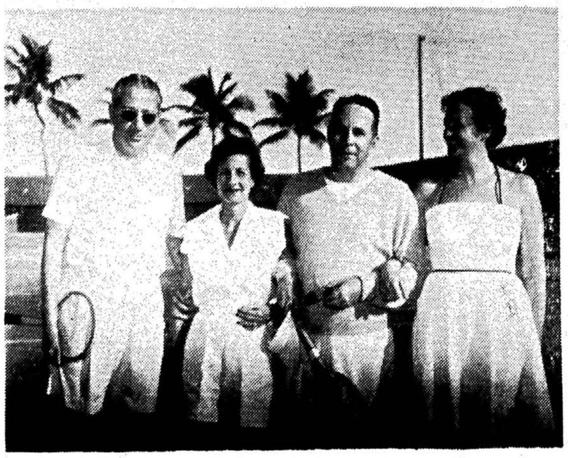
Mr. & Mrs. Wm. B. Chappell, *First of Boston Corporation*, New York City; Edward Glassmeyer, *Blyth & Co., Inc.*, New York City; Louis Walker, *G. H. Walker & Co.*, Hartford, Conn.

(standing) Philip Neuhaus, *Underwood, Neuhaus & Co.*, Houston; Henry L. Valentine, *Davenport & Co.*, Richmond, Va.; Miss Shirley Spiers, Hollywood, Fla.; R. C. Chapman, *Fulton, Reid & Co.*, Cleveland; Wallace C. Latour, *Merrill Lynch, Pierce, Fenner & Beane*, New York; Charles F. Morgan, *Morgan Stanley & Co.*, New York; John C. Hagan, III, *Mason-Hagan, Inc.*, Richmond; (seated) Mrs. Albert Augustus, Cleveland; Elbridge S. Warner, *Hayden, Miller & Co.*, Cleveland; Albert Augustus, *Ball, Burge & Kraus*, Cleveland; Mrs. John C. Hagan, III; Robert H. B. Baldwin, *Morgan Stanley & Co.*, New York City

(standing) James C. Ward, *Third National Bank*, Nashville; Warren D. Chiles, *Chiles-Schutz Co.*, Omaha; O. B. Wood, Jr., *Southern Securities Corp.*, Savannah; Clyde C. Pierce, *Pierce, Carrison, Wulbern, Inc.*, Jacksonville; Harold W. Clark, *Clark, Landstreet & Kirkpatrick*, Nashville; Gus G. Halliburton, *Equitable Securities Corporation*, Nashville; Edward D. Muir, *Muir Investment Corp.*, San Antonio; (seated) Gordon Whelpley, *Goldman, Sachs & Co.*, New York; Sidney J. Mohr, Jr., *Thornton, Mohr & Farish*, Montgomery; B. W. Landstreet, 3rd, *Clark, Landstreet & Kirkpatrick*, Nashville; Edward B. Wulbern, *Pierce, Carrison, Wulbern, Inc.*, Jacksonville, Fla.; Samuel L. Varnedoe, *Varnedoe, Chisholm & Co.*, Savannah; Malon Courts, *Courts & Co.*, Atlanta

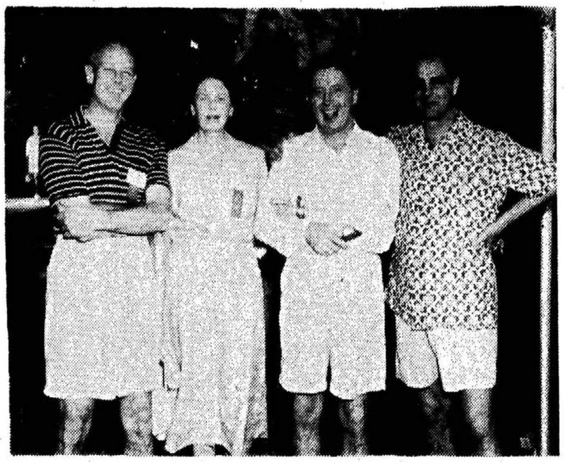
Mrs. Myron F. Ratcliffe; Mrs. Robert O. Shepard, Cleveland; Mrs. William S. Hughes, Los Angeles; Mrs. Alfred J. Stalker, New York; Myron F. Ratcliffe, *Bache & Co.*, Chicago; Frank Voysey, *Kidder, Peabody & Co.*, Chicago

Charles F. Eaton, Jr., *Eaton & Howard, Incorporated*, Boston; Mrs. Harry W. Hurry; Mr. & Mrs. S. Whitney Bradley, *Eaton & Howard, Incorporated*, Boston; Stephen Whitcomb, *Eaton & Howard, Incorporated*, Boston; Harry W. Hurry, *Bingham, Walter & Hurry*, Pasadena, Calif.



R. K. Buechler, *E. F. Hutton & Company*, New York; Mrs. Harley Rankin, Philadelphia; Howard Butcher, 3rd, *Butcher & Sherrerd*, Philadelphia; Mrs. Francis M. Brooke, Jr., Philadelphia

Mr. & Mrs. Paul A. Just, *Television Shares Management Corp.*, Chicago; Robert O. Shepard, *Prescott, Shepard & Co.*, Cleveland; Charles L. Churchill, *Scott, Horner & Mason, Inc.*, Lynchburg



Mr. & Mrs. Wilfred L. Goodwyn, Jr., *Goodwyn & Olds*, Washington D. C.; Robert L. Hatcher, *Chase National Bank*, New York; Malon Courts, *Courts & Co.*, Atlanta

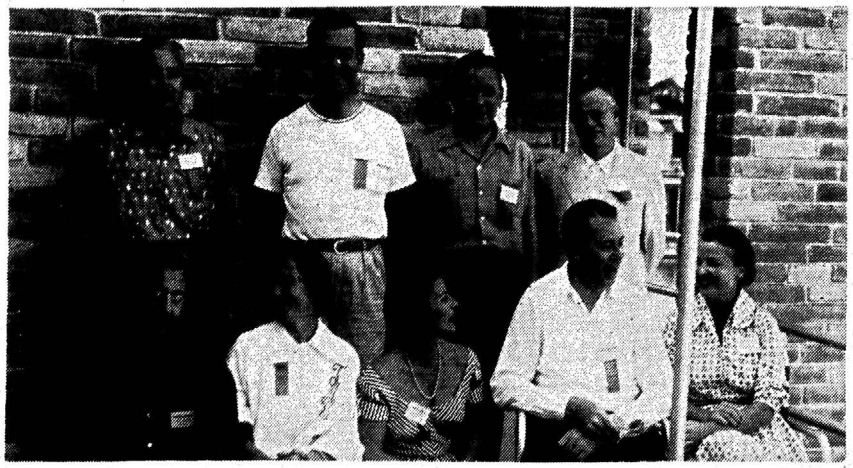
(standing) E. Jansen Hunt, *White, Weld & Co.*, New York; David F. Anderson, *Muir Investment Corp.*, San Antonio; (seated) Mrs. Robert M. Clark; Andrew M. Baird, *A. G. Becker & Co., Inc.*, Chicago; William J. Roberts, *Glore, Forgan & Co.*, Chicago; Robert M. Clark, *Blunt Ellis & Simmons*, Chicago

(seated) Ralph Fordon, *Fordon, Aldinger & Co.*, Detroit; Mrs. Harry L. Sebel, Chicago; Mrs. Arthur A. Christophel, St. Louis; Henry Bishop, *Fordon, Aldinger & Co.*, Detroit; (standing) Arthur A. Christophel, *Reinholdt & Gardner*, St. Louis; Harry L. Sebel, *Hugh W. Long & Co., Chicago;* F. Warren Pershing, *Pershing & Co.*, New York

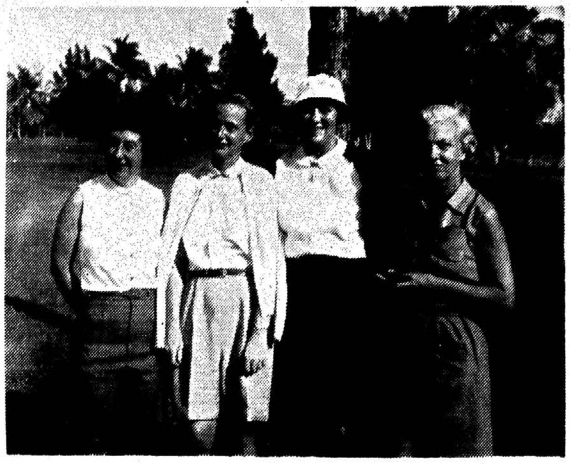
Mr. & Mrs. Robert L. Osgood, *Vance, Sanders & Company*, Boston; Mrs. & Mrs. H. B. Norris, *Collier, Norris & Quinlan*, Montreal; Mrs. & Mrs. Alec B. Stevenson, *Vance, Sanders & Company*, Nashville; Mr. & Mrs. John A. McCandless, *Vance, Sanders & Company*, Boston

Mrs. Paul B. Hanrahan; Mr. & Mrs. John Swaney, *Keystone Company*, Boston; Paul B. Hanrahan, *Hanrahan & Co.*, Worcester, Mass.; Mr. & Mrs. Harold H. Huston, *Harold E. Huston & Co.*, Seattle; Mr. & Mrs. Charles J. Fleming, *Hanrahan & Co.*, Worcester, Mass.


(standing) J. Marvin Moreland, *J. Marvin Moreland & Co.*, Galveston; Thomas M. Beckett, *First Southwest Company*, Dallas; Mrs. W. C. Jackson, Jr.; Earl G. Fridley, *Fridley & Hess*, Houston; Mrs. James F. Jacques; (seated) James F. Jacques, *First Southwest Company*, Dallas; Mrs. Thomas M. Beckett; Mrs. Earl G. Fridley; Mrs. J. Marvin Moreland; William C. Jackson, Jr., *First Southwest Company*, Dallas


(standing) Edward D. Muir, *Muir Investment Corp.*, San Antonio; Frederick J. Bolton, *Muir Investment Corp.*, San Antonio; Charles M. Webster, *J. M. Dain & Co.*, Minneapolis; H. Wilson Arnold, *Arnold & Crane*, New Orleans; (seated) David F. Anderson, *Muir Investment Corp.*, San Antonio; Mrs. Frederick J. Bolton; Mrs. Edward D. Muir; Donald E. McFarland, *Kalman & Co.*, Minneapolis; Mrs. H. Wilson Arnold

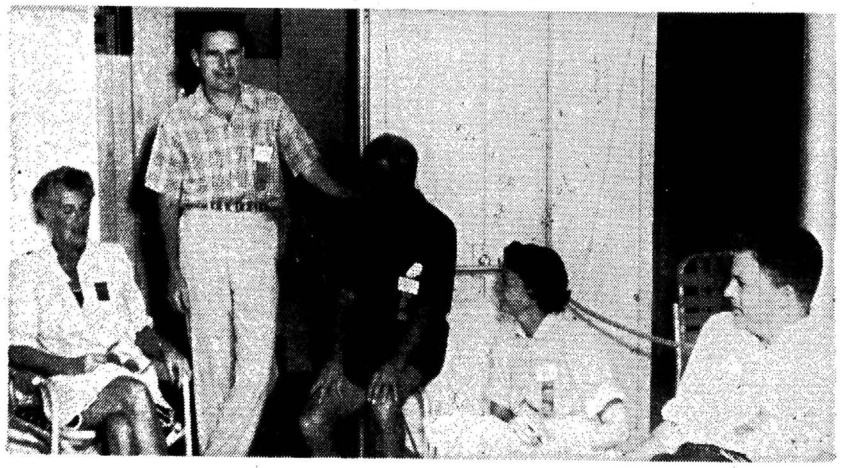

Robert B. Dixon, *McDaniel Lewis & Co.*, Greensboro, N. C.; Arthur C. McCall, *Alester G. Furman Co.*, Greenville, S. C.; Edgar M. Norris, Greenville, S. C.; Mark A. Smith, *F. W. Craigie & Co.*, Richmond, Va.

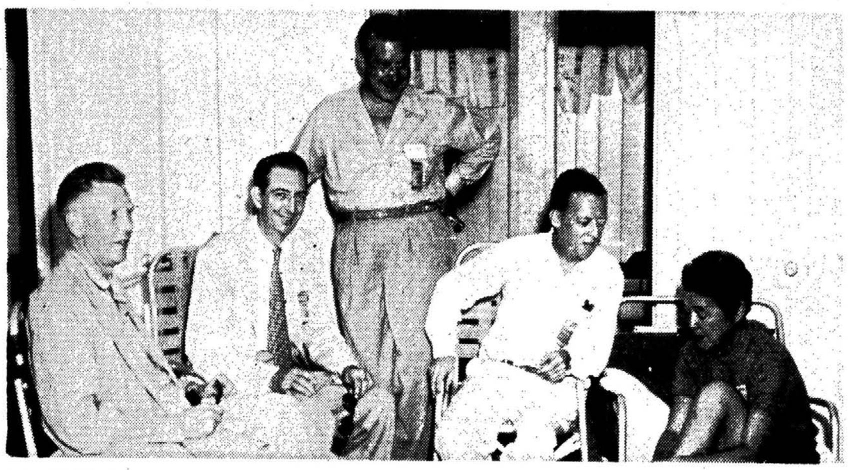

Mrs. Myron F. Ratcliffe, Chicago; Mrs. R. W. Thornburgh, Cincinnati; Mrs. Roy Doolittle, Buffalo; Mrs. William S. Hughes, Los Angeles

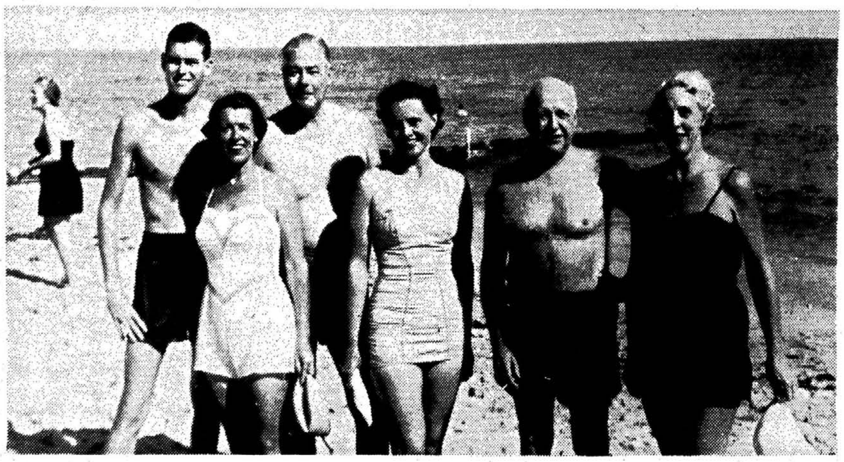

Clifford C. Collings, Jr., *C. C. Collings & Co.*, Philadelphia; Mr. & Mrs. Herbert V. B. Gallager, *Yarnall, Biddle & Co.*, Philadelphia; Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.


Mr. & Mrs. Miles A. Watkins, Jr., *Stubbs, Smith & Lombardo, Inc.*, Birmingham; Mr. & Mrs. W. L. Lyons, *W. L. Lyons & Co.*, Louisville; Mr. & Mrs. Holman R. Wilson, *The Kentucky Company*, Louisville


Mr. & Mrs. Russell Siefert, *Stern Bros. & Co.*, Kansas City, Mo.; Mr. & Mrs. Hunter Breckenridge, *McCourtney-Breckenridge & Co.*, St. Louis; Edward J. Costigan, Jr., *Edward D. Jones & Co.*, St. Louis


Mrs. Wells Laud-Brown, New York; William H. Moore, *Bankers Trust Company*, New York; *Wells* Laud-Brown, *Bankers Trust Company*, New York; Mrs. William H. Moore; Franklin Stockbridge, *Security First National Bank*, Los Angeles


John E. Hopkins, *J. P. Morgan & Co.*, New York; Charles L. Bergmann, *R. W. Pressprich & Co.*, New York; Albert J. T. Woll, *E. M. Newton & Co.*, Boston; Francis D. Bartow, *Bartow, Leeds & Co.*, New York; Mrs. John J. Clapp, New York

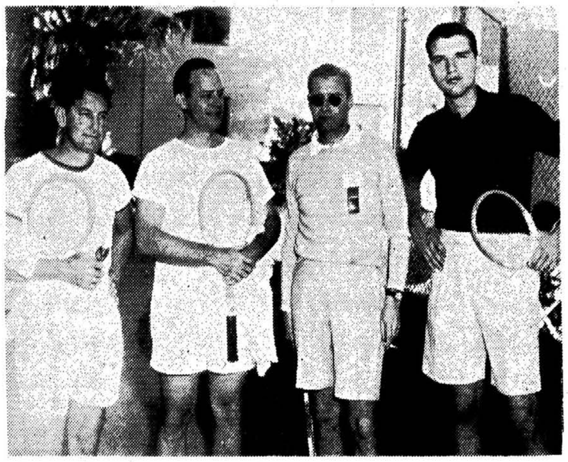


Julien H. Collins, Jr., *Goldman, Sachs & Co.*, New York; Mr. & Mrs. Julien H. Collins, *Julien Collins & Company*, Chicago; Mrs. Hugh Bullock, New York; Edward B. Hall, *Foreign Operations Administrator*, Washington, D. C.; Mrs. Pat Morris, Chicago

Mr. & Mrs. Roland Merrell, *Lee Higignson Corporation*, New York City; Mr. & Mrs. Julian A. Space, *Johnson, Lane, Space & Co.*, Savannah; Mr. & Mrs. Thomas M. Johnson, *Johnson, Lane, Space & Co.*, Savannah

Edward H. Robinson, *Schwabacher & Co.*, New York City; Herman B. Joseph, *Joseph, Melen & Miller*, Cleveland; Clement A. Evans, *Clement A. Evans & Co.*, Atlanta; Charles L. Bergmann, *R. W. Pressprich & Co.*, New York City

Cornelius Shields, *Shields & Company*, New York City; Albert R. Hughes, *Lord, Abbett & Co.*, New York City; John N. Mitchell, *Caldwell, Marshall, Trimble & Mitchell*, New York; Harold H. Huston, *Harold H. Huston & Co., Seattle*

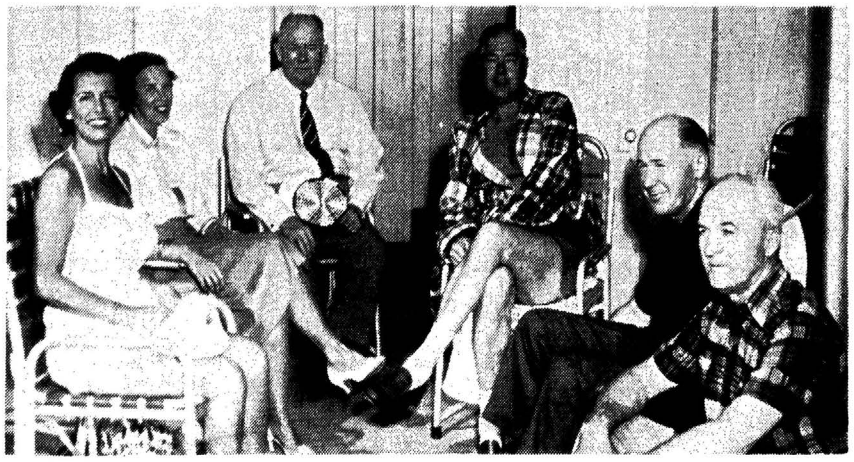


Wilbur Hess, *Fridley & Hess*, Houston; John W. Kriet, *Dewar, Robertson & Pancoast*, San Antonio; Henry W. Putnam, *Association of Stock Exchange Firms*, New York; William Gregory, 3rd, *Bonner & Gregory*, New York

Mr. & Mrs. Dudley, Dawson, *Dawson, Hannaford Limited*, Montreal; Mr. & Mrs. N. D. Young, *Dominion Securities Corporation*, Toronto; Mr. & Mrs. H. B. Norris, *Collier, Norris & Quinlan*, Montreal; Bradshaw D. Firstbrook, *Greenshields & Co.*, Montreal; Jack Kingsmil., *Investment Dealers Association of Canada*, Toronto; James D. Hannaford, *Dawson, Hannaord, Inc.*, New York; Mr. & Mrs. Peter Kilburn, *Greenshields & Co.*, Montreal

(Front) Mrs. A. E. Tomasic, Pittsburgh; Mrs. David H. Callaway, Jr., New York; Mrs. James M. Heller, New York; Mrs. Frank C. Carr, Chicago; (Rear) David H. Callaway, Jr., *First of Michigan Corporation*, New York; Denton Hall, *R. L. Day & Co.*, New York; Edward D. McGraw, *Northern Trust Company*, Chicago; Frank D. Farrell, *City National Bank & Trust Co.*, Kansas City; John T. Knox, *Federal Land Banks*, New York; Henry Earle, *First of Michigan Corporation*, Detroit; James M. Heller, *Shearson, Hammill & Co.*, New York City

C. Gerard Morgan, *John C. Legg & Company*, Baltimore; Orlando S. Brewer, *Phelps, Fenn & Co.*, New York; Mrs. George B. Kneass; Joseph W. Sener, *John C. Legg & Company*, Baltimore; Mrs. Orlando S. Brewer; George B. Kneass, *Philadelphia National Bank*, Philadelphia



Mrs. Julien H. Collins, Chicago; Mrs. Winthrop C. Lenz, New York; Norman Smith, *Merrill Lynch, Pierce, Fenner & Beane*, New York; Julien H. Collins, *Julien Collins & Co.*, Chicago; Winthrop C. Lenz, *Merrill Lynch, Pierce, Fenner & Beane*, New York; M. J. M. Cox, *Curtiss, House & Co.*, Cleveland

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State Legislation Affecting Securities Business

ernor, Ohio Valley Group, Mr. John S. Clark (Fahey, Clark and Co., Cleveland), Chairman, Legislation Committee, Northern Ohio Group, Mr. Stanley G. McKie (The Weil, Roth & Irving Company, Cincinnati), Chairman, Legislation Committee, Ohio Valley Group, Mr. Frank Musrush (The Ohio Company, Columbus), a member of the Legislation Committee of the Ohio Valley Group, and IBA Counsel.

At this meeting it was concluded that the most satisfactory way to resolve the problem would be to obtain an amendment to the Ohio Securities Act exempting sales to specified "sophisticated buyers" (such as banks and insurance companies) from the security registration and the *dealer registration* requirements of the Ohio Securities Act.

The Committee commends the officers of the Northern Ohio Group and the Ohio Valley Group and the Chief and Assistant Chief of the Ohio Division of Securities for their efforts to obtain a solution to this problem which will minimize unnecessary regulation without lessening protection to investors.

(e) Harvard Law School Study of State Securities Regulation:

The Harvard Law School has received a grant from the Merrill Foundation to make a study of state securities regulation. In general, it is planned that this study will include detailed analyses and breakdowns of existing state securities acts and regulations thereunder and the preparation of drafts of state securities acts which may be used as a basis for the preparation of a uniform state securities law by the National Conference of Commissioners on Uniform State Laws.

An Advisory Committee established to assist in this study includes representatives of the IBA, NASD, American Bar Association, National Conference of Commissioners on Uniform State Laws, SEC, National Association of Securities Administrators and attorneys who have had wide experience in blue sky law problems.

II
Legal Investment Laws

There have been amendments this year to the legal investment laws of the following states:

Arizona: (for insurance companies).
District of Columbia: (for insurance companies).
Kentucky: (for fiduciaries).
Louisiana: (for fiduciaries).
Massachusetts: (for insurance companies).
Michigan: (for insurance companies).
Mississippi: (for insurance companies).
New Jersey: (for savings banks).
New York: (for savings banks).
Virginia: (for fiduciaries).

A summary of these amendmetns is contained in Appendix B.

III
State Inheritance Taxes

The attention of the Committee has been directed to the difficulties encountered because of the imposition of inheritance taxes by a state upon the transfer of securities of issuers incorporated in such state when such securities are in the estates of non-resident decedents. The Committee recommends that the simplest way to minimize this problem is to obtain the inclusion of reciprocal exemption provisions in the inheritance tax laws of the various states. The inheritance tax laws of many states already contain reciprocal exemption provisions providing that the tax imposed by the act on intangible personal property not having an actual situs in the state shall not be payable if the transferor was at the time a resident of a state whose law contained a reciprocal exemption provision under which non-residents of that state were exempted from transfer or inheritance taxes of every character in respect of intangible personal property not having an actual situs in that state.

IV
Proposal to Extend New York City Sales Tax Rejected

A proposal to the Finance Committee of the City Council of the City of New York would have extended the 3% City Sales Tax to commercial services, which would include transactions in financial and investment businesses. This proposal was vigorously opposed by organizations in the investment banking industry. Mr. Gustave Alexisson (Granbery, Marache & Co.), Chairman of the Legislation Committee of the New York Group of the IBA, in a letter to Mr. Edward A. Cunningham, Chairman of the Finance Committee of the City Council of the City of New York, urged the Finance Committee "to disapprove any extension of the sales tax which would be applied to transactions of financial business concerns."

We are pleased that the proposal was rejected, and we commend Mr. Alexisson and the other organizations in the industry for their successful opposition to this proposal.

V
Statutory Provisions Relating to Stockholders Actions

The Legislation Committee of the California Group under the Chairmanship of Mr. Frank Dyer, Jr. (Wagenseller & Durst, Inc., Los Angeles), with the assistance of Mr. J. Earle Jardine, Jr. (William R. Staats & Co., Los Angeles), Chairman of the California Group, have given extensive consideration to section 834 of the California Corporation Code which provides that plaintiff stockholders in stockholders' derivative actions may, on motion of defendants, be required to deposit security for reasonable costs if the court determines after a hearing that the defendant has established a probability in support of the grounds upon which the motion is based. While the Legislation Committee of the California Group recognized that some means should be available to corporate management to protect itself against harassment from "strike suits," it was the consensus of the Committee that the California statute might work in practice to deny access to the court to a stockholder who had a just complaint against management, and the Committee recommended that further study be given to this problem.

VI
Uniform Commercial Code

In Article 8 of the proposed Uniform Commercial Code as originally approved there was some question whether securities governed by that Article were "negotiable instruments," so the Editorial Board of the Commissioners on Uniform State Laws recommended that Article 8 be amended by adding thereto a new section (section 8-105) to designate clearly that securities governed by that Article are negotiable instruments. Since the proposed Commercial Code was originally printed without the subsequent amendment to Article 8 and the amendment to Article 8 is included in a small printed pamphlet embracing certain amendments recommended by the Editorial Board, it is extremely important to be sure that any bills proposing adoption of the Uniform Commercial Code contain Article 8 *amended* to include the new section, section 8-105).

It is expected that the proposed Uniform Commercial Code will be submitted to the legislatures of several states in 1955. The IBA has not taken a position favoring or opposing adoption of the Code. The Code would provide a complete new body of state law governing commercial transactions and in many states would effect great changes in the present law and concepts. We urge that in any state in which the Code is submitted to the legislature (1) the new section be added to Article 8 to designate clearly that securities governed by that Article are negotiable instruments and (2) local counsel be consulted immediately to determine the effect and desirability of adoption of the Code in that state.

VII
Variable Annuities

A bill which passed the New York Legislature this year but was vetoed by Governor Dewey would have authorized the creation of the "Variable Annuity Corporation of America." This corporation would have been authorized to issue variable annuity contracts.

A variable annuity would differ from a conventional annuity mainly in that (1) the buyer of a conventional annuity is guaranteed that annuity payments will be a fixed number of dollars, whereas the buyer of a variable annuity purchases "units" (or shares) and is guaranteed only the value of those units at the time he receives payment (the number of units received each year would be determined by applying actuarial tables to the total number of units purchased), and (2) the assets of conventional type annuity companies are invested principally in conservative investment such as bonds and mortgages whereas the assets of a variable annuity company would be fully invested at all times in common stocks (it is proposed that investment should be made only in common stocks listed on a national stock exchange, that no more than 5% of the common stock of any one company should be held and that not more than 10% of assets should be invested in any one company). Variable annuities could be purchased by either a single premium payment or on an instalment plan and would contain options for a cash surrender value up to the time annuity payments begin or the annuitant dies or for annuity payments for life, or for a term certain or for joint life and survivor. Variable annuities would be sold to the public *only by insurance agents.* Purchasers of variable annuity contracts would, under present tax laws, obtain a considerable tax advantage over persons who invest in investment company shares and over most persons who invest directly in common stocks.

The principal argument in favor of variable annuities is that they would provide dollar payments that would vary with the cost of living, while conventional annuities provide a fixed number of dollars which represent less "real" income during inflationary periods.

This proposal obviously involves many problems and many considerations. This Committee has not yet concluded what, if any, action should be taken on this proposal, but we do want to flag it for the attention of members because it is expected that the bill will be introduced again in the New York Legislature, and perhaps in other states, in 1955.

VIII
National Association of Securities Administrators

The Annual Meeting of the National Association of Securities Administrators, whose members are the state Blue Sky Law Commissioners, was held at the Roosevelt Hotel in New York City on Sept. 27-30. An informal party was given for the Commissioners by the IBA and was attended by practically all of the Commissioners in attendance at the Convention, as well as by IBA President Bryce, many of the local Governors and group officers of the IBA, the Chairman of the Legislation Committee of the Central States Group, IBA Counsel and the Chairman of the Committee. The principal address at one of the luncheon meetings was given by the Chairman of this Committee on the subject of "Cooperation Between the IBA and the NASA." This address emphasized the desirability of cooperation between the two associations and the importance of greater emphasis by the Securities Commissioners on regulation of the persons engaged in the se-

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State Legislation Affecting Securities Business

curities business and less emphasis upon regulation of individual issues of securities.

To facilitate further cooperation between the NASA and the IBA the President of the NASA during the past year (Mr. Ofstedahl, the Securities Commissioner of Minnesota) appointed an IBA Liaison Committee. Members of this Committee met with representatives of the IBA during the meeting in New York to discuss possible areas of cooperation and recommended that the Committee be continued.

IX

Gifts of Securities to Minors

Legal complexities involved in gifts of securities to minors have undoubtedly deterred many persons from making gifts of securities to minors and have caused unnecessary red-tape for others who have made gifts of securities to minors. Many persons are reluctant to take the trouble to establish trusts through which gifts may be made, and brokers are in a dilemma when requested by parents to sell securities held in the name of a minor if there is no trust and the parent has not been appointed as legal guardian of the minor (with the possibility of liability if the child after becoming of age rescinds the transaction). The New York Stock Exchange has prepared a draft of a proposed statute to remedy this problem. The proposed statute would permit a parent or other adult to make a gift of securities to a child with the power of management reserved to the giver or a close relative of the child whom the giver designates (the holder of this power to be called the custodian of the securities).

We approved this proposal in principle and, while certain tax aspects of the proposed statute may require clarification, we recommend that consideration be given to adoption of this proposed statute in any state where gifts of securities to minors constitute a problem.

Conclusion

Finally, we direct your attention to a resolution unanimously adopted by the Committee at its meeting at White Sulphur Springs on May 21:

"Members of Group Legislation Committees should be appointed with a view to obtaining continuity in service by members of such committees so that there will always be members on such committees who have had experience in the legislative problems of their group."

In conclusion, the State Legislation Committee welcomes suggestions as to how it can be helpful and offers to be of assistance at any time in state legislation problems.

Respectfully submitted,
STATE LEGISLATION COMMITTEE

Paul L. Mullaney, Chairman
Mullaney, Wells & Company
Chicago
Gustave A. Alexisson
Granbery, Marache & Co.
New York
Addison W. Arthurs
Arthurs, Lestrange & Co.
Pittsburgh
J. Thomas Baldwin
White, Weld & Co.
Boston
Townley W. Bale
Dean Witter & Co.
Seattle
W. W. Keen Butcher
Butcher & Sherrerd
Philadelphia
John S. Clark
Fahey, Clark & Co.
Cleveland
John W. Clarke
John W. Clarke, Incorporated
Chicago
Frank Dyer, Jr.
Wagenseller & Durst, Inc.
Los Angeles
Sherman Ellsworth
Wm. P. Harper & Son & Co.
Seattle
William L. Hurley
Baker, Simonds & Co.
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Stanley G. McKie
The Weil, Roth & Irving Co.
Cincinnati
Joseph J. Muldowney
Scott & Stringfellow
Richmond
Gilbert H. Osgood
Blunt Ellis & Simmons
Chicago
Ralph Owen
Equitable Securities Corporation, Nashville
Carr Payne
Cumberland Securities Corporation, Nashville
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St. Louis
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Rauscher, Pierce & Co.
Dallas
Robert A. Podesta
Cruttenden & Co.
Chicago
Leo L. Quist
Harold E. Wood & Co.
St. Paul
Harold E. Waeckerle
Lucas, Eisen & Waeckerle, Inc., Kansas City
Harold D. Writer
Peters, Writer & Christensen, Inc., Denver

APPENDIX A

Summary of Amendments to State Securities Acts—1954

ARIZONA

The Arizona Securities Act was amended effective April 3, 1954, by adding thereto a new section providing:

Sec. 53-1426. A prospectus or an offering circular, the standards of form or content of which are prescribed by any provision of the Securities Act of 1933, or rules and regulations promulgated thereunder, may be accepted as a prospectus in lieu of that which is prescribed in Section 53-1407(A) (3) in connection with an application for registration, the registration or the renewal of registration of securities by qualification; provided, however, that the Director shall determine the nature and scope of the information, as disclosed in respect to any issuer, is substantially equivalent in informative value to that prescribed under Section 53-1407(A) (3).

CALIFORNIA

Section 25602 of the California Corporation Code was amended effective April 20, 1954, to read as follows by adding the underlined language:

25602. No company, broker, agent, or other person shall use any advertisement concerning any security sold or offered for sale by it unless a true copy of the advertisement has been first filed in the office of the commissioner at least one day prior to the use; except that the filing of a copy of such an advertisement pursuant to this section is not required in any case in which the commissioner has authorized or consented to the use of the advertisement, *or in the case of any advertisement concerning only securities issued or guaranteed by the United States of America, or any territory or insular possession thereof, or by the District of Columbia, or by any State, territory, county, municipality, or taxing district therein.*

LOUISIANA

The Louisiana Securities Act was amended effective July 28, 1954, as follows:

(1) In section 51:707 authorizing the registration of certain classes of securities by notification:

(a) Subdivision A(1), authorizing securities issued by a "person" meeting prescribed requirements to be registered by notification, was amended so that securities may be registered by notification if issued by a "person, corporation, partnership, association, company, syndicate or trust" meeting the prescribed requirements.

(b) The first paragraph of subsection B, specifying the information which must be filed with the Commissioner to register securities by notification, was amended to provide that the following must be filed with the Commissioner (in addition to, in some cases, a copy of the circular to be used for the public offering):

"(1) Form A, Uniform Application, to be obtained from the Commissioner.

"(2) Statement showing average annual net earnings for at least two years immediately preceding the year in which application for registration of and authority to offer and sell such securities is filed.

"(3) Balance sheet of its assets and liabilities not more than ninety days prior to the date of filing such balance sheet.

"(4) Certified copy of articles of incorporation and all amendments, if applicant is a corporation, and certificate of Secretary of State attesting to recordation of said articles in his office.

"(5) The amount of commission and any other remuneration to be paid in connection with the offering and sale of the securities sought to be registered.

"(6) Any other information or documents required by the Commissioner.

"Provided, that in lieu of the information required for registration by notification in paragraphs (1) through (6) of this Sub-section, the issuer or dealer may file with the Commissioner a copy of his application and all information in connection therewith filed with the Securities and Exchange Commission of the United States, which shall be deemed a sufficient compliance with said paragraphs."

(c) The first sentence of the

third paragraph from the end of the section, authorizing the Commissioner under certain circumstances to require the filing of further information in connection with the registration of securities by notification and to suspend the right to sell securities registered by notification, was amended to substitute "application and supporting documents" for "statement or circular" and to substitute "application and supporting documents" for "statement" where that term last appears in the sentence. The last paragraph of the section, relating to registration fees, was also amended by substituting "application" for "statement."

(d) The last paragraph of the section was amended to increase the minimum fee for registration of securities by notification from $10 to $25 and to increase the maximum fee for such registration from $200 to $1,000.

(2) In section 51:708, providing for registration of securities by qualification:

(a) A new item (9) was inserted to include among the information which the Commissioner may require to be filed with him "Any other information or documents required by the commissioner."

(b) The fifth paragraph from the end of the section, authorizing the Commissioner to accept a copy of the registration statement and all other information in connection therewith filed with the SEC in lieu of compliance with paragraphs (1) through (10) of the section, was amended by adding a proviso: "provided, however, that Form A, Uniform Application, shall be submitted in all cases, and accompany such copies of documents which have been filed with said Securities and Exchange Commission of the United States."

(c) The fourth paragraph from the end of the section was amended to provide that the Commissioner "shall at all times have the right to require the filing with the Commissioner of any and all documents deemed necessary and pertinent in connection with any application."

(d) The second paragraph from the end of the section was amended to increase the minimum fee for registration of securities by qualification from $25 to $50 and to increase the maximum fee for such registration from $200 to $1,000.

(3) In section 51:710, relating to the registration of dealers and salesmen, the third paragraph from the end of the section was amended to increase the fee for registration and for each annual renewal thereof from $25 to $50 for dealers and from $5 to $10 for salesmen.

MASSACHUSETTS

The Massachusetts Securities Act was amended effective Sept. 1, 1954, as follows:

(1) The first sentence of section 3 (relating to exempt sales) was amended, to make it clear that exempt sales are exempt from the prohibitions and restrictions of section 11 and sections 11A to 11E, by inserting "including without limitation those provided for in section 11 and sections 11A to E, inclusive."

(2) Subsection 3(e), exempting certain sales or exchanges of securities by a corporation to its security holders or their assigns provided there be no payment of any promotion fee or payment of any salary, commission or expense to any broker or salesman in connection therewith, was amended (a) so that the exemption will be applicable if there is "compensation paid to a person in respect of his agreement to purchase any securities offered by a corporation to its security holders or their assigns which are not purchased by such security holders or their assigns" and (b) by adding a provision that for the purposes of subsections 3(e), 3(f) and 3(h) "corporation" shall include any organization having transferable shares.

(3) Subsection 3 (f), exempting sales of its securities by a Massachusetts corporation if the number of security holders does not, and will not in consequence of such sale, exceed 25, was amended so as also to exempt sales of its securities by a Massachusetts corporation "where the aggregate amount raised by such issuance and sale and all prior sales does not exceed twenty-five thousand dollars."

(4) Subsection 3(h), formerly exempting any sale to a registered broker and any *pledge* to a national bank, trust company, savings bank or insurance company, was amended to exempt "Any sale of securities to a registered broker, national bank, trust company, savings bank, insurance company or any corporation."

(5) Former subsection 4(h), exempting securities of a Massachusetts corporation whose authorized capital stock added to its outstanding securities other than capital stock did not exceed $25,000 (not applicable to securities of a corporation having capital stock without par value), was *stricken* and former subsections (i) and (j) were redesignated as (h) and (i), respectively.

(6) The last sentence of the next to last paragraph of section 5, requiring that a copy of a prospectus or offering sheet or amendment thereto filed under the federal Securities Act shall—if filed with the Massachusetts Commission—"be attested as a true copy in such manner as the commission may prescribe," was *stricken.*

(7) The second sentence of section 10, requiring that an application for registration as a broker or salesman be accompanied by a certificate of two citizens of the commonwealth that in their opinion the applicant is honest and of good repute, was amended to substitute "two responsible persons" for "two citizens of the commonwealth."

(8) Section 10 was also amended by adding at the end of the second paragraph thereof the following three sentences (these sentences were added because provisions of section 10 providing for service of process on the Secretary of the Department were held to be invalid in violation of the due process clause of the 14th Amendment to the Constitution because the statute failed to provide for notice of suits to nonresident defendants):

"Such service of process under this section shall be made by leaving duplicate copies thereof with a fee of two dollars in the hands of the secretary of the commission, or in his office, and the secretary of the commission shall forthwith send one of said copies by mail, postage prepaid, addressed to the defendant at his last address as appearing on the commission's records; and an affidavit of the secretary of the commission or of any person authorized by him to mail such copy, that such copy has been so mailed shall be prima facie evidence of such mailing. One of said copies of such process, certified by the secretary of the commission as having been served upon him, shall be sufficient evidence of service upon him under said power of attorney. The court in which the action is pending may order such continuances as may be necessary to afford the defendant reasonable opportunity to defend the action."

MISSISSIPPI

Section 5380 of the Mississippi Securities Act (exempting certain

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State Legislation Affecting Securities Business

classes of securities from that Act, subject to a simple "registration" of such exempt securities) was amended effective May 5, 1954, by adding a new subsection (n) to provide that:

(n) The provisions of this act shall not apply to any interest in a trust created by an employer as part of a pension plan, disability or death benefit plan or profit-sharing plan or any trust created under a retirement plan for which provision has been made under the laws of the United States of America exempting such trust from Federal Income Taxation.

APPENDIX B

Summary of Amendments to State Legal Investment Laws—1954

ARIZONA

A new Arizona Insurance Code will become effective on January 1, 1955, and provisions of the present Code applicable to insurance companies will be repealed. The new Code will permit Arizona insurance companies to invest in several classes of securities which are presently ineligible for insurance company investment.

DISTRICT OF COLUMBIA

Code of the District of Columbia was amended effective July 19, 1954 to authorize life insurance companies (subsection (1) of section 35-535) and fire, casualty and marine insurance companies (subsection (1) of section 35-1321) to invest in obligations issued or guaranteed as to principal and interest by the International Bank for Reconstruction and Development.

KENTUCKY

The Kentucky legal investment law for fiduciaries was amended effective June 17, 1954, by inserting, in the subdivision authorizing investment in interest-bearing or dividend-paying securities which would be regarded by prudent businessmen as safe investments, a provision that such securities shall include "securities of any open-end or closed-end management type investment company or investment trust registered under the Federal Investment Company Act of 1940."

The Kentucky legal investment law for insurance companies was amended effective June 17, 1954, as follows:

(1) Section 304.408, authorizing investment in certain classes of public revenue bonds was amended to substitute a provision that "adequate provision has been made" for the payment of principal and interest on such bonds for a provision that "a lawful sinking fund has been established and is being maintained" for the payment of principal and interest on such bonds.

(2) Section 304.411, authorizing investment in bonds or other evidences of indebtedness of public utilities meeting specified requirements, was amended to increase the amount which an insurance company may have invested at any one time in such classes of securities from 20% to 30% of its assets.

(3) Section 304.415, authorizing investment in bonds, notes or debentures of solvent corporations meeting specified requirements, was amended by revising provisions relating to liens, mortgages and pledges affecting the property of such corporations.

(4) A new subsection was added to section 304.426 to provide that:

"(2) An insurer may invest in the shares, interests, or participation certificates of any management investment company, whether or not incorporated, which is registered under the Federal Investment Company Act of 1940 as amended, as a diversified, management investment company, if such company has been in existence for not less than ten years. The aggregate of investments of the insurer under this subsection shall not exceed five percent of the insurer's assets."

(5) Section 304.453, authorizing the Commissioner in his discretion to recognize as assets of foreign and alien insurers investments authorized by the law of such an insurer's state of domicile, was amended by adding a provision that real property under lease for industrial or commercial purposes shall, if authorized by the law of the insurer's state of domicile or of entry into the United States, be deemed to have been acquired and held in the course of the legitimate business of the insurer, whether or not the Commissioner determines that they shall be recognized as assets of the insurer.

LOUISIANA

The Louisiana legal investment law for fiduciaries was amended effective July 28, 1954, to permit fiduciaries to invest in obligations issued or guaranteed by the International Bank for Reconstruction and Development.

MASSACHUSETTS

The Massachuetts legal investment law for insurance companies was amended as follows:

(1) Subsection 7 of section 63 was amended effective April 3, 1954, to make minor changes in provisions relating to encumbrances on real property on which loans are made.

(2) Subsection 14A of section 63, authorizing investment of one-half the capital of Massachusetts insurance companies other than life insurance companies and one-half the reserve of a stock or mutual life insurance company in certain classes of securities, was amended effective May 16, 1954, to authorize investment in bonds, notes or other evidences of indebtedness of Massachusetts voluntary associations and trusts.

(3) Section 66 was amended effective May 16, 1954, to provide that nothing in that section or in section 63 shall prevent a life insurance company from investing or loaning any funds not required to be invested as provided in section 63 (section 63 requires capital and three-fourths of reserves of Massachusetts insurance companies to be invested in specified classes of securities) in transferable certificates of participation or shares, bonds, notes or other evidences of indebtedness, whether or not secured by collateral, of Massachusetts voluntary associations and trusts; provided that such company shall not invest in, acquire or hold directly or indirectly more than 10% of the certificates of participation or shares of any such association or trust and that no more than 10% of its capital and surplus may be invested in the transferable certificates of participation or shares of any one such association or trust.

Subdivision 15 of section 54 of the Massachusetts legal investment law for savings banks, requiring the Commissioner of Banks to prepare annually a list of bonds, notes and interest bearing obligations which are legal investments for savings banks under specified sections of the law, was amended effective Aug. 24, 1954, (1) to require that the list include *stocks*, as well as bonds, notes and interest-bearing obligations and (2) to add to the specified classes of investments with respect to which the annual list must be prepared by the Commissioner those under clause Second A (certain bonds, notes or obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development), Seventh (certain bank stocks), Seventh B certain consolidated obligations of federal intermediate credit banks), Seventh C (stock of fire insurance companies meeting specified requirements) and Tenth (farm loan bonds).

The Massachusetts legal investment law for fraternal benefit societies was amended (1) effective June 7, 1954, to authorize any society meeting specified asset requirements to invest an amount not exceeding 5% of its funds in the capital stock of a trust company incorporated under federal law and located in any one of the New England states, if such trust company or association has paid dividends in cash of not less than 4% on its capital stock in each of the 5 years next preceding the date of investment and its surplus is at least equal to 50% of the amount of its capital stock and (2) effective July 4, 1954, to authorize investment in "paid-up shares and accounts of and in co-operative banks" (the law previously authorized investment in shares of co-operative banks).

The Massachusetts legal investment law for medical service corporations was amended effective July 4, 1954, to authorize investment in paid-up shares and accounts of and in co-operative banks.

MICHIGAN

The section of the Michigan legal investment law for insurance companies authorizing investment in certain federal, state or municipal bonds was amended, effective 90 days after adjournment of the legislature, by eliminating a requirement that certain classes of bonds were elegible for investment only if "the net bonded indebtedness of said city, county, township, village, school district, or other political subdivision shall not exceed 10% of the actual valuation of all the property therein assessed for taxation."

MISSISSIPPI

The Mississippi legal investment law for insurance companies was amended effective April 21, 1954:

(1) By inserting in section 5662 a new subsection 4 to authorize investment in bonds, notes, or other evidences of indebtedness which are secured by mortgages, security deeds, vendor's liens or deeds of trust upon leasebold estates having an unexpired term of 25 years or longer in improved unencumbered real estate in the United States worth at least 50% more than the amount loaned thereon.

(2) By inserting in section 5662 a new subsection 8 to authorize investment of not more than 5% of total assets in adequately secured equipment trust certificates or other adequately secured instruments evidencing an interest in equipment wholly or partly within the United States and a right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such equipment.

(3) By adding a new section authorizing an insurance company to invest an amount not to exceed in the aggregate 5% of its admitted assets without regard to restrictions in any other section or act regulating or governing investments.

NEW JERSEY

Section 17:9A-181 of the New Jersey legal investment law for savings banks was amended effective June 30, 1954, to make it clear that investment may be made under subsection Q(1) in veterans' loans "wherever located."

NEW YORK

Section 235 of the New York legal investment law for savings banks was amended effective April 13, 1954, as follows:

(1) A new subdivision (g) was added to subsection (5) to authorize investment in:

"(g) Obligations issued by a city, village, town, county, department, agency, district, authority, commission or other public body in this state or any other state of the United States payable out of the revenues of a public utility system providing water, electricity, gas or sewerage service, provided that if the public utility system is located outside the state, it must serve an area having a population of not less than one hundred thousand. Said city, village, town, county, department, agency, district, authority, commission or other public body shall be legally obligated by statute, charter, indenture or covenant to fix, maintain and collect charges or taxes, or both, to provide net revenues after operation and maintenance of the facilities used to provide such service sufficient to meet maturing interest, principal and sinking fund payments on such obligations or shall be empowered to require the fixing, maintaining, and collecting of such charges or taxes, or both, by duly authorized public officers or bodies, and shall be restrained by statute, charter, indenture or covenant from disposing of all or any substantial portion of such facilities unless provision is made for a continuance of the interest, principal and sinking fund payments due on such obligations, or for the retirement of such obligations, provided said city, village, town, county, depatment, agency, district, authority, commission or other public body shall have had net earnings during each of the five years immediately preceding investment sufficient to cover all debt service and further provided that the net earnings available for debt service for the year immediately preceding investment shall have been sufficient to meet the maximum annual debt service of the obligations outstanding and said obligations shall not have been in default as to principal or interest."

(2) Subsection (11) was amended to authorize investment in bonds, debentures or other obligations of the Central Bank for Cooperatives.

(3) Subdivision (a)(2) of subsection 21 was amended to include among the securities authorized for investment under that subdivision, subject to the conditions of that subdivision, interest-bearing securities of any public authority, commission or instrumentality organized under the laws of any state of the United States or of any political subdivision of any such state.

(4) Subdivision (b) of subsection 25, authorizing investment in obligations of any province of the Dominion of Canada subject to conditions specified in that subdivision, was amended to authorize investment also in obligations for which the faith of any such province is pledged to provide for the payment of principal and interest (subject to the specified conditions).

(5) A new subsection (27) was added to provide that for the purposes of that section the term "state," when used generally to include every state of the United States, includes also the commonwealth of Puerto Rico, and that the term "city," when used generally to include cities in every state of the United States, also includes any municipality of the commonwealth of Puerto Rico.

A new law effective in New York April 10, 1954, defines "mutual trust investment company" when used in that law to mean "an investment company as defined by an act of Congress entitled the 'Investment Company Act of 1940,' approved Aug. 22, 1940, as amended, provided that (a) such company is organized under or subject to the provisions of Article 12-A of this chapter; and (b) all of the stock and shares, other than stock or shares required by law to qualify directors of such investment company, are or are to be owned by trust companies or national banks having trust powers and having their principal offices within the State of New York or their nominees or the nominees of such corporate fiduciaries and individual cofiduciaries residing in the State of New York." The law provides that a mutual trust investment company may invest only in such investments as are legal investments for fiduciaries under subdivision 1 of section 21 of the personal property law, provided that the amount of stock of any corporation which may be held by such company shall not exceed 5% of the number of shares of stock of such corporation outstanding at the time of investment by such company. An eligible fiduciary or fiduciaries may invest or reinvest moneys held in a fiduciary capacity in shares of a mutual trust investment company except where the instrument or the order, decree or judgment under which such moneys are held prohibits such investment, provided, however, the net aggregate amount of moneys of any estate, trust or fund invested in shares of such mutual trust investment company shall not at any time exceed $100,000, or such lesser sum as may be fixed as the maximum amount permitted by such rules and regulations as may be promulgated by the banking board. Such shares shall be treated in the same manner as investments in a legal common trust fund in applying limitations of subdivision 1, paragraph (m) of section 21 of the personal property law.

Section 81 of the New York legal investment law for insurance companies, specifying authorized reserve investments, was amended effective April 6, 1954, by adding a paragraph to provide that nothing in that section shall be deemed to prohibit an insurance company from making otherwise permitted reserve investments merely because such investment is convertible into other securities or stock in which such insurance company is not permitted to invest or because such insurance company receives in connection with such investment stock warrants, stock options, stock, property interests or other assets of any kind. Anything so received by an insurance company in connection with such investment shall be carried on its books at no value unless such insurance company shall have acquired it pursuant to other provisions of law.

VIRGINIA

Section 26-40 of the Virginia legal investment law for fiduciaries was amended effective June 30, 1954, by adding thereto a new subdivision authorizing investment in bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development.

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Government Competition With Private Enterprise

given us necessities which are the luxuries of every other country. But the abundance of the assembly line has been achieved at a social cost. Many individuals have lost control over their own economic futures. This insecurity is the price tag which our intricate division of labor has put upon the fruits we enjoy. It is inevitable, therefore, that Government must provide continuity of livelihood to the unemployed worker until he can be fitted into a work pattern again and to the aged whom industry will no longer employ.

Thus, existing side by side, are the voluntary system of protection which we offer and the unavoidable function of government as a guarantor of minimums. Occasionally, to our regret, the government defines these minimums with an eye to the polls. The area of overlap and consequent disagreement lies not in the theory of social security but only in a lack of moderation in its application.

Life Insurance and the Provision of Capital

Now let me turn to the other characteristics of our business which I have described as being important to our economy—that of providing capital. Here we find ourselves in competition with many other financial intermediaries—commercial banks, savings banks, pension funds, trust companies and savings and loan associations—and finally the Government again. (We regard you in the investment business not as our competitors but as our partners.)

The nature of our business is such that it is not difficult for us to gauge with considerable accuracy our rate of growth over the next decade. Savings placed with us are withdrawn most reluctantly. Consequently we can make longer term commitments than most of our competition. This augurs well for the supply of long term money—because we account for about one-third of all the national saving not in the form of retained corporate earnings.

Life insurance is getting more and more to be the primary savings vehicle for individuals in this country, rich and poor alike. We calculate that our assets will grow from the present $83 billion at an annual compounded rate of 7% for the next few years. And there will be ample warning of any change; so that you will not be hung up with securities in anticipation of our needs.

In spite of this vigorous growth, which is more than twice that of the 3% rate of our expanding economy, we together with other financial intermediaries again find ourselves face to face with many departments of the Government; both as an investment influence as well as an accumulator of funds.

First in importance, of course, are the Federal Reserve Banks, because their leverage on the capital markets is conclusive. Obviously, the Open Market Committee and the pattern of Treasury borrowing dictate our money rates and consequently influence the volume and velocity with which we channel savings to nourish our economy.

In considering the accumulation of funds, however, let us look at an illustrative group of financial intermediaries of the Government such as the Social Security Board, Postal Savings Banks, Federal Land Banks, and various Federal, state and local pension funds. This group, which excludes Reserve Banks and agencies having to do with such things as home mortgaging and veterans' and farm affairs, was nonexistent or insignificant in size before 1929. In 1952 its combined assets were well over $85 billion. Thus, in 23 years, these government channels for protection and savings have accumulated more assets than all the life insurance companies in their whole history.

The Government is in this area to stay; just as it has taken a

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permanent place in the area of social protection. Our problem is to assure ourselves that each of us —Government and private enterprise—plays the part which each can do best. We would prefer not to find ourselves the subject of public debates such as those we are now witnessing in the fields of public versus private power, the subsidizing of conflicting forms of transportation, and the development of natural resources or of new sources of energy.

Although the possibility exists of government agencies moving more aggressively into the insurance function on the one hand, and the long-term capital market on the other, the immediate signs are favorable, and amicable relations presently exist.

When the Government recently determined to cover Civil Service employees with group insurance, it turned with a commendable departure from custom to private enterprise to achieve this desirable objective. Some 150 private life companies have joined in a master contract to insure 2¼ million Federal employees to the tune of $7 billion dollars.

In the capital markets, the good news is less recent, but our gratitude is undimmed for the constructive step of freeing the government bond market from its rigid pattern. We now have a live market—one which breathes, and we breathe more freely with it.

No Need For Conflict Between Government and Private Enterprise

There need be no serious conflict between accountable private financial agencies and a socially responsible government. The functions of the Treasury and the Federal Reserve System imply priority in influencing the basic cost of money as well as in managing the Federal debt; a debt that is too large and matures too frequently to be abandoned to accidents in the market place.

But if these necessary functions are distorted by political expediency then private financial agencies pay the cost. The equilibrium is upset and the coexistence relationship is threatened.

Certainly it is unrealistic to expect that the various financial agencies of the Government will wind up their affairs and turn their business over to private hands; nor could they long exist without investing their accumulating funds. As long as these investments are in governmental obligations no objections can be raised. But if these agencies become your competitors and ours in the corporate bond market or holders of substantial amounts of equities, the working relationship between Government and private capitalism will again be undermined. And all of us well know the allure of these more bountiful investment pastures. One has only to remember the operations of the RFC, surely benevolent in purpose, to see where such a development might lead us.

But let us turn and look for a moment at that portion of the area of protection where, as private agencies, the insurance companies stand alone. As I have already observed, social security is the natural and inevitable consequence of our industrial society. It is impossible for me to consider seriously any way in which the incalculable commitments involved can be undertaken by private agencies. The same is true for insurance of military personnel in time of war, care of the indigent and care for the incurables and other wards of an industrial society.

But no reason can be advanced for government entering into life insurance in its traditional forms. Nor is it likely.

First, because the workings of private life insurance are clearly in our society's interest—both as to product and as to the investment of the funds. We sell security; and never since the free corn of the Roman Empire has there been so avid and vociferous a demand. Unfortunately, this very demand for security carries with it a menace. People who want security are reluctant to make direct payment for it. This creates a political atmosphere in which demagogy can destroy the economy it is promising to protect. Assuming a self-restrained and democratic Government, we have no fear of the continuing preference for our product.

There is a second reason why we feel safe from Government competition. Our product, despite its availability, is rarely bought. It has to be sold; and kept sold. The boasting of the possession of life insurance combines with the reluctance of the acquisition to form a well-known public attitude. It would be a rare sight indeed to observe within our democratic frame of government, or within the framework of our dictatorial opposites, a bureaucrat beating the bushes to sell a program of life insurance tailored to a citizen's own, immediate, family needs. This is a job that cannot be done *en masse*. It is not a job for monolithic, or socialistic, Government. The life insurance agent is—socially speaking—an indispensable man.

Which brings me to my third reason. We, the private life insurance companies, provide facilities for 200,000 entrepreneurs — the life insurance agents. These men and women—these individualists—after investing a considerable amount of uncompensated time in their training, set out on their own account to sell insurance. They reecive a percentage of the premiums as their compensation. They can work as much or as little as they wish and, as a rough generalization, can be as successful as they choose to be. Sometimes they work in partnership; often the wife takes care of the paper work and telephone. It takes hard work to make a good living in selling life insurance.

In other areas, career after career has moved from individual activity to a partnership, to a management group, to a factory with capital and a hierarchy of titles, salaries and wages. But these salesmen of ours have remained at the frontier of a free individualism. They are the simplest example of the free enterprise system in operation. We are proud to enable them to follow this way of life. There is no argument here between us and the Government — this is something which Government cannot do.

I hope I have not taken too long to lay the foundations for my conclusion. I have discussed the functions of the Government in the capital market and how they touch financial agencies such as life insurance companies. I have made the point that there are certain things of a general nature which the government can do and should do through the Treasury and the Reserve Banks. I have noted the danger of the excursion of the Government agencies into the private capital market.

In the area of protection I have referred to Government social security and the things it does which cannot be done through private agencies. And I have given some reasons why we in the life insurance business are confident that Government cannot replace us—except by *force majeure*.

How Government Operations and Private Enterprise Can Co-Exist

My whole talk has been about Government operations and private activities and how they can coexist. This seems to me a central problem of our time. Our economic and social organization has modified rugged individualism and the simpler patterns of the 19th century. We have adopted and pressed forward with enormous ingenuity the practice of division of labor and have thus achieved the plenty of the assembly line.

So compartmented are our jobs that we have had to turn over to Government the responsibility for doing those things which are common to all but not of immediate concern to any one of us. Examples come easily to mind: carrying the mail, fire protection, police protection, military defense, conservation of natural resources —all predecessors of the social security program.

Time Is Ripe for a Reappraisal

The time is ripe for a reappraisal of relations between government and business — not just life insurance and investment banking but manufacturing, transportation and all the segments of our vigorous economy. Our main concern is not the entrance of government into business and private affairs—that is inevitable— but to maintain as favorable a balance for free choice as possible.

Our proper role is not to berate the government for doing those things which because of their nature we cannot do. Rather, let us channel some of our eagerness for free enterprise into the search for new opportunities along the frontiers of our expanding society. What should be very much on our minds is whether we are taking full advantage of every opportunity to see that the public is well-served by *our* doing those things which *we* can do best.

And so I say let us resist encroachment where we in private enterprise can most effectively do the job, and let us support government in doing those things which we cannot do and it must do.

Most of all, let us bring to an end vague discussions about undefined free enterprise on the one hand and unanalysed government activities on the other. We are all concerned with the common good of our country. Let us reduce conflict between growing government and growing free enterprise, and with imagination and good will, let us play the biggest part possible in an ever-expanding economy.

J. H. Lewis to Admit

On Jan. 1 John H. Lewis & Co., 63 Wall Street, New York City, members of the New York Stock Exchange, will admit Thomas G. Murphy to partnership. Mr. Murphy is an officer of Lewis Management Co., Inc.

Wood, Struthers to Admit

On Jan. 1, Henry K. L'Hommedieu will be admitted to partnership in Wood, Struthers & Co., 20 Pine Street, New York City, members of the New York Stock Exchange.

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In Attendance at IBA Convention

BISHOP, HENRY R.
Fordon, Aldinger & Co., Detroit

BLACKFORD, Jr., HENRY J.
A. M. Law & Company, Spartanburg

BLAKE, SIDNEY S.*
H. M. Byllesby & Company, Philadelphia

BLYTH, ROBERT B.*
National City Bank, Cleveland

BODMAN, WARREN H.
Woodcock, Hess & Co., Philadelphia

BOEHMLER, ERWIN W.
Investment Bankers Association, Washington

BOGERT, Jr., H. LAWRENCE
Eastman, Dillon & Co., New York

BOLES, EWING T.*
The Ohio Company, Columbus

BOLGER, JOHN F.*
Shillinglaw, Bolger & Co., Chicago

BOLTON, FREDERICK J.*
Muir Investment Corp., San Antonio

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The Next Two Years of the Eisenhower Regime

hope that from these remarks you won't conclude that I have a closed mind on it.

As I said to my friends in the newspaper group yesterday, I have not really studied the issue, but I did want to make those rather general remarks concerning it.

The Coming Sessions of Congress

Now, Mr. Bryce has suggested that we might look ahead a little bit into the coming sessions of Congress. We face a changed situation, of course, with the Democrats in control of both Houses, and that is going to be, in some way, very nice, because when you are in the majority, you have to attend all the meetings and be on call. But when you are in the minority, the majority has to do all the planning and conduct all the meetings. You do have a little more leisure, so maybe there will be some advantage in having the Democrats in control. I don't think it will be to the advantage of all the people of these United States, but there will be some advantage to individual Senators, I think.

You have, between the two great Parties, I think, a fundamental difference in political philosophy which is going to be an overriding factor for the next Congress.

I suppose the Republican philosophy can best be stated by quoting Abraham Lincoln's position on that, which has been confirmed this year and last year by President Eisenhower when they say that:

"The purpose of Government is to do those things—those necessary things—for the people which the people individually or collectively cannot do or cannot so well do for themselves."

I think that is basic Republican Party philosophy. And the President has amplified that in the last year by his statement with something as follows—and I don't have the direct quotation, but you will recognize it. He said that in dealing with those things which affect the people, their social life—which affects them as human-beings—be human, be liberal; but in dealing with those things which affect the people's property, their money, be conservative, and don't be afraid to use the word.

I will stand on that as being our philosophy, the Republican philosophy, and I should have introduced my speech by saying that we are going to discuss politics. Webster defines politics as "science of government," and if I should say anything that sounds partisan, it will be purely coincidental, and I hope I shall be forgiven.

As against that, we have been faced with the growing philosophy of our opposing party, the Democratic Party, which is not shared by all Democrats by any means, but which is shared, I think, by the controlling element of the Democratic Party, which, I think, is still the extreme left-wing of the Democratic Party, because I think they will control the next Democratic Convention, just as they did in 1948, and just as they did in 1952.

This theory is that we should have a stronger Federal Government. More power should be centralized in the Federal Government. The people should become more and more dependent upon the decisions of the Federal Government, which should build up a bigger and bigger Bureaucracy. Perhaps that is a slight exaggeration, but I believe that is what they mean. And there you have the fundamental difference in the philosophies of the two parties—in their political philosophies.

I think that despite the results of the last election, the fundamental political philosophies of the parties haven't changed, and I don't really believe that the political philosophies of Congress itself have changed very much as a result of the last election.

We only controlled the Senate in the last session by the grace of one vote, and at times the Democrats actualy had control of the Senate, but left us in control because they thought it was the best policy to follow. I think they were right about that.

Over in the House, we only had a majority of four votes, and now we have a deficit of 15 or 16 votes. But the real change there has made very little change in fundamental philosophy of the Congress. But there has been a change in the leadership, and there is going to be a change, I think, in the type of legislation which is reported to the Congress for consideration, a subject I want to deal with a bit later.

A Review of the Outgoing Congress

In order to look ahead into the next two years, I think we have to look back a little bit and review what were the issues that put the Republican Administration in power in 1952. I think you will agree with me that these issues included principally the following:

Korea, Communism, corruption, taxes and spending; inflation, farm surpluses and high, rigid price supports bringing them about; and the question of Government in business, the question of State's rights and private rights, and perhaps the question of foreign and economic policies on tariff and trade, which I think will be a much hotter issue in the next session than it was in the last.

There were other subsidiary issues, such as Hawaiian Statehood, Labor Legislation, amendments to the Taft-Hartley Act, which didn't get through the Congress, and which may come up again.

But I would say that, in the general reckoning, those might be called subsidary issues compared to those which I have mentioned earlier.

Now, taking these up one by one on a looking-ahead basis, I am not going to discuss Korea because that falls into the question of foreign policy. I believe that we are going to have, and should have, a bi-partisan foreign policy.

The President has said we live in an age of peril, not just an instant of danger. And God knows that we do. I think that under such conditions where we are fighting the Cold War for our very existence, partisan politics should stop at the water's edge. I have always believed that. I think that the Republicans set a good example in that regard when Mr. Truman was President and when we were in control of the 80th Congress.

You will remember that great Senator from Michigan, Arthur Vandenburg, and his leadership in connection with cooperation on foreign policy. Thanks to that and thanks to the fact that he could bring with him so many Republican leaders in the Senate and even in the House, the Marshall Plan was worked out. He was really the father of the North Atlantic Treaty Organization, although it came about later, of course; and the Aid-to-Turkey and Aid-to-Greece programs. Those programs were all worked out on a bi-partisan basis, and it showed that it can be done, even if you have a Congress controlled by one party and the Presidency controlled by the other.

I believe with the temper of our President, with his sort of detachment from the struggles of partisan politics, which I may comment on in a little more detail, I think the Democrats will have confidence in him. I think he has already shown in the last year that he intends to work on a bi-partisan or non-partisan basis. The record shows—and I remember that Senator Knowland put this into the Congressional Record some months ago—that on every single important decision or every single conference with Congressional leaders in respect of foreign-policy matters, the leaders of the Democratic Party were there with the leaders of the Republican Party; and I think the Democrats realize that.

So I think that we won't discuss the field of foreign policy, but hope and pray—I do—that it will be worked out on a bi-partisan basis, because I think it is in the interests of all the people and in the interests of our own survival that it be done that way.

The Issue of Communism

On the question of Communism in Government, I am not going to go into that very much today, because the point I want to make in connection with all of these issues, which are going to be continuing issues, too, is that when the Republican Party took the position on these issues in 1952 through the President of the United States, who was then a candidate, General Eisenhower, they then made certain definite commitments that if elected we are going to do certain things. And I submit to you that in connection with every one of these issues which I have mentioned, we have made good on those promises. The President has made good on his promises. And despite the fact that all of these issues have not been fully resolved, there has been an effort made in connection with every one of them—a consistent effort. And like a good race horse, a good thoroughbred race horse, the President has run true to form, and I think the Republican Party in the Legislative branch has also done its share in supporting him in connection with these matters. That is a very important thing, because frequently in a campaign, promises are made very glibly, and then forgotten. But I am very proud of the fact that the Republicans have not forgotten their promises to the people in 1952.

I am very proud of the fact that I believe our party will go ahead with these issues which have not been fully resolved. And I will discuss a few of them rather briefly now.

In connection with the Communist issue we have done a lot. In the Executive Branch of the Government, drastic steps have been taken to clean out the subversive elements where they have existed. We have had convictions, we have had deportations, we have had removals, and we have had executions and we have had indictments by the hundreds. The Department of Justice is working closely with every Department of the Government in a harmonious and trusting way, as it should be done, and I think that represents somewhat of a change from the prior Administration.

And on the Legislative side, we have passed 12 laws in this last session of Congress, all designed to deal with the question of the Communist threat and Communist subversion.

And Senator Jenner, himself, who is not always one to take a friendly view towards the Administration, nevertheless said that this Congress has done more in Legislation to deal with the Communist menace than any previous Congress since it has been a threat to our National security.

I won't take the time to review those laws, but I think probably most of you are familiar with them, and that claim is a justifiable one.

Of course, the efforts of combating Communism at home will continue. How much of an issue it will be, I don't know. What Senator McCarthy is going to do next year, I don't know. Sometimes I wish and sometimes I pray that these hundreds of people — these 10 million people—in addition to addressing communications to the Senate giving their views as to what should be done, would also, in the National interest, address one to Senator McCarthy asking him to please cooperate a little more with his colleagues in the Senate, who are quite as fearful of Communism, who hate it as fully as he does, and who want to fight it just as much as he does.

The issue of corruption, of course, was a big issue in 1952, and I think one will agree—and we all can agree—that this Administration has taken drastic steps to clean house, to get rid of the grafters and the evil-doers and the influence peddlers and the five-percenters. The thing that has taken place is a change in the attitude, both within and without the Government Service. What is new is that it is now known that graft and corruption and influence peddling will not be tolerated after it has been discovered. Get rid of them fast. And there is a new atmosphere — a newer, cleaner and more wholesome atmosphere all through every angle of the Executive and Legislative Branches of the Government in connection with such matters.

So, of course, I think that that is not going to be an issue between the two parties, because I think the Democrats are very glad to have an end of that, too.

The FHA scandals, in which I had something to do with those hearings, were probably the most shocking exposure of the abuse of power, of the abuse of Government credit that we have ever had in the history of the United States. That is going to result in a lot of indictments and, I am sure, probably some convictions. I don't see how they can be escaped. That will, of course, continue. But I am glad to say, on behalf of my colleagues on the Banking and Currency Committee on the Democratic side that they are just as anxious to clean this Government as we are. Now that they are in control of the Committees, I hope and feel sure that they will continue in that frame of mind.

Government Spending and Taxes

Now you have the very important issues of taxes and spending. We said, when we were campaigning for office, that if elected we would do something about that. I think the record shows that we have in this very year, as you know, had reductions in taxes of approximately $7.4 billion.

And $5 billion of that took effect Jan. 1, of which $3 billion, I think, was excess-profit tax, a very punitive tax indeed, I always thought, that was allowed to expire.

And $2 billion in reduction of individual income taxes, when the 11% increase was allowed to expire.

Then you had a $1 billion decrease in the excise tax, and the decreases due to the Tax Reform or Tax Revision Bill amounted to approximately $1.4 billion. That bill, incidentally, touched the lives of every single American family, and is the most comprehensive and constructive tax reform bill or tax revision bill in the history of Congress.

So, we have gone that far. Those things would not have been made possible had not the spending stream been substantially cut. Even before the tax reductions of January 1954, approximately $5 billion had been taken out of the spending stream by Executive action. On the Congressional side, Senator Bridges pointed out at the close of the last Congress that we appropriated in this Congress $7 billion less than the previous session of the Congress, and $27 billion less than the last session of the last Truman Congress. That is quite a change. The point is, we have put the spending stream into reverse, and have recaptured some control of our fiscal affairs.

As Senator Byrd, himself, said: "We have begun to recapture control of our fiscal affairs of which we practically had no control prior to this election."

We will press on—the Republicans will press on—with our commitment to balance the budget of the United States Government. We said that we would try to do that. We are going to continue to do that. I think that we are going to have opposition on that from the Democrats in Congress. I think that the Democrats are going to move as they did last year to increase the exemptions in connection with the Federal Income Tax for individuals. It was a surprise to me, indeed, in the last session when Senator George of Georgia, who for many years had been Chairman of the Finance Committee of the Senate, sponsored a bill or an amendment which would have had the ultimate effect of, in two or three years, taking hundreds of thousands of taxpayers off the tax roll, by increasing exemptions from $600 a year to $1,000 a year at a cost to Government of something like $10 billion. And no explanation was given of what we were going to use for money instead of that. How were we going to cut our budget by $10 billion?

I think the Democrats are going to demand a review of the whole tax structure. And, as I say, they will suggest some changes along the lines that Senator George proposed last year, and that is going to be difficult to stop, because taking people off the tax rolls has a very interesting public appeal and a very broad one. However, I do think that the people's thinking has been improved somewhat by the fact that we have absolutely stopped inflation, a fact that is a blessing and a boon to people all over the United States. So, I believe, we will be able to hold the line in connection with our efforts to balance the budget of the United States.

The Democrats, I know, are going to want to be sure that the Government is not cutting too much in connection with defense or any other expenditures. But I do believe we are going to be able to stick to our course, and while we probably will not balance the budget in this fiscal year (we will turn up a deficit of about $4.5 billion) nevertheless, I think that our policy actions so far have done a lot to stem the inflationary tide, and to take the inflationary gap out of the budget of the United States.

The cash budget, if you operated on a cash budget, and not an administrative budget, this fiscal year, would be within $1.5 billion of a balanced budget.

I don't look for any substantial amount of tax reduction next year. After all, when you look at our budget, we are spending 66% of every dollar that we spend for National Security — two-thirds. And of the balance of one-third, half of that is in conenction with items which we have very little control over.

We can't do much about the interest on the National debt, which is $6.6 billion a year. We can't do much about the commitments to the veterans by Legislation, which totals $4.4 billion a year, and the combination of those two figures is $11 billion. There is also $2.8 billion in connection with the Farm Program, concerning which I want to speak in a moment.

There is $1.9 billion in connection with Social Security, Welfare and Health Programs, which are contributed to by the Government of the United States. And, I will say to you, that you are not going to get very much change in the philosophies of people in connection with Government interest in Social Security, Welfare and Health Programs. I don't think our party is advocating or will advocate any change of that nature. I don't think it should.

Then, $1.8 billion is for transportation and communication in connection with roads and highways; in connection with the Merchant Marine and in connection with Civil Aviation. And also the Post Office deficit is in that figure.

Then you have $1.1 billion for technical aid to friendly countries in order to help them improve their defenses against the Communist menace, and raise their living standards so as to decrease the Communist opportunities in their country, and so on.

And, as far as the departments are concerned, in the first year of the new Administration cuts in operating expenses of from 14% to 22% were made in all of the departments in the Executive Branch of the Government.

No Tax Reductions Likely

So, I suggest, that we are not going to be able to do very much in the way of tax reduction from here on, until we are able to further cut back on the defense items which, for the over-all National Security item, totals approximately $42 billion.

I mentioned the question of inflation, because it was one of the hot issues in 1952. I think that the President believes, and our party is committed to the philosophy, that inflation is an evil. It is an evil that has crept into the political life of this country rather gradually, and it has resulted in destroying the value of the savings of millions and millions of people at least to the extent of 50% in the past 15 years. It is an evil in which the rich get richer and the poor get poorer, and you can prove it mathematically very easily. If I had more time, I would like to do that. That was one of my favorite subjects, and I do feel that we can all be fortunate that inflation was stopped in January 1953. The dollar today is worth just as much as it was then and, in my judgment, it will be kept at that value of purchasing power so long as we are in control of the Government of the United States.

The Farm Surpluses

Now, my friends, earlier I mentioned the question of farm surpluses. That is going to be a hot issue, although, I believe, that any that hath eyes to see will recognize that the people in this country endorsed the Benson program of flexible price supports, which was boldly supported by President Eisenhower.

We have at the present time over $7 billion of agricultural products in storage in the United States. It costs this Government $700,000 a day just to pay for this storage cost of those items.

Now, the President's program is designed to cut down this accumulation, to stop it so that we don't keep on building it up. It is very difficult to get rid of these surpluses. We can't give them away abroad, because if we give them away in Turkey, we are interfering with the Turkey wheat farmers' market. Where will you go with them? If you dump them, you will interfere with the livelihood and means of livelihood of thousands of people in that country. So you cannot even give them away. The way then to deal with this thing is to stop the accumulation, and in some way find markets for them gradually. And that is what Secretary Benson is trying to do.

But, I do believe, that while the Democrats from certain areas will attack this program and try to restore the high, rigid price supports, that the election results of 1954 did show, by and large, the farmers themselves and all the people generally are behind the philosophy of the Benson program.

Now, I was going to discuss a matter of special interest to this group, which is our commitment to try to get the Government out of business, and to restore to private industry the things that should be in private industry.

When this Administration came into power, we found the Federal Government in all kinds of different businesses—dozens of different businesses — and we have been selling them. We have been selling them to private industry. Amongst those, for instance, you will recognize the 28 rubber plants for the manufacture of artificial rubber in this country; and synthetic fuel manufacturing plants. There was a big chlorine plant. We had a couple of sawmills, and a uniform manufacturing plant in Brooklyn, and a lot of others. They are just a few examples, but they have been returned to private owners—these and lots and lots of others, where they belong. It is our policy, and it will continue to be our policy, to encourage private enterprise to expand and to do the job wherever private enterprise is in a position to do the job.

Promoting an Incentive Economy

That is what I call an incentive economy as against a punitive controlled economy. We are going to stick to the incentive economy — the incentive-type of tax legislation which is not punitive, but which encourages people to go ahead and do the things that need to be done for the expansion of American industry and for the creation of more and more jobs.

I think that if any of you, as

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The Next Two Years of The Eisenhower Regime

Mr. Bryce suggested a while ago, go down to Washington now, to talk to any of the men on the Securities and Exchange Commission or any of the Commissions, they are interested in you. You don't get the feeling that they are against you. They are interested in you, because they know that in you rests the security of your section of the American industrial scheme.

They are interested in helping American businessmen, both large and small, because they realize that upon the success of American business and industry rests all these jobs and really rests our National Security. I think that is a change, and I think that it is a very constructive and very creditable one which has been brought about by the Eisenhower Administration. And, that, my friends, will continue.

On the question of public power, that is going to be an issue. It has come up, of course, in connection with this Dixon-Yates business. The President has taken the point of view before his election and since, as I described, in the Republican philosophy, that the Government should only do those things which the people cannot or cannot so well do for themselves. And he stuck to that. As a result of that, we passed the Priest Rapids Dam Bill, the Markham Ferry Bill, the Coosa River Bill down in Alabama, all for the construction of hydro-electric plants on our big rivers, with private capital doing the job instead of the taxpayers having to fork over the money to do the job.

In the Priest Rapids case, we will use, as an example, $350 million. Of this project, approximately $50 million is in connection with navigation and irrigation and flood control and items of that kind which are relatively unattractive to private capital. But hydro-electric development calls for $300 million and that is going to be done by private capital. That is what the President calls the Partnership Plan, with the Federal Government doing those things which private capital can't do, and private capital doing those things which it can do and those things which need to be done.

I am sure this philosophy is behind the Dixon-Yates contract which has caused such a great disturbance. The trouble with that disturbance is that those who are opposed to the Dixon-Yates contract aren't opposed to the Dixon-Yates contract *per se*. They are opposed to any contract. They want the TVA to develop those 650,000 kilowatts of electric energy. They want the Government to do that. We don't. We think that so long as private capital is ready, willing and able to do the job, it should be encouraged to do it. And in doing that, we save the taxpayers in this particular case approximately $107 million capital outlay at a time when the taxpayers already have too heavy a burden on their backs because of the National Defense situation.

I am going to close with just a word. I do have a few other observations here, but I am just going to close with a little different note. It has been an inspiration to me coming out of the same background of business, although I haven't been in the investment banking business for over 20 years, but I have a financial background in the most important years of my life, and I believe very strongly in our system. So naturally it has been a very great privilege for me to find myself in a position where I can do something about it. It has been a special inspiration to me to be able to support the President of the United States, because I believe so strongly in him as an individual and in his general philosophy.

I think that whether you be a Democrat or a Republican we can agree, or most of us can agree, that we are very fortunate in this time of severe trial in which we are perhaps going to be living for a good many years, that we do have at the head of the Government a man who has spent his life in the service of his people; who, I think, has been purified by these more than 40 years of service to the people of the United States, and who, I think, has been elevated by his experience in carrying the heaviest responsibilities that any individual has had to carry for the people over a period of the last 20 years; or perhaps even in our lifetime. And he holds himself, I think, properly and correctly, somewhat above this fighting level of partisan politics. I think that is why he is held in such affection by such a broad cross-section of the American people.

One hears criticism, of course, that he doesn't take our side strong enough. Well, our side has got to be good enough, I think, if we are going to survive in our philosophy to do a large measure of its own fighting, and I don't think that we want the President to lose his grasp on the big middle section of the political thinkers in this country by getting too deep into the question of partisan politics. Now, I say that because I think there are some Republicans in the Congress who believe that he should exercise more persuasion on the Congress of the United States. I, personally, am not one that would urge him to do that but I do feel we are lucky. And in this very serious time we have had in him the greatest spiritual leader that we have had since Abraham Lincoln, and he will, if you will just give him time, do more than anyone since Abraham Lincoln to restore the American Government to the hearts and affections of his people.

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Lehman Brothers, New York
MORSE, WALTER E.*
Lehman Brothers, New York
MORTON, FRED G.
The Milwaukee Company, Milwaukee
MORTON, WILLIAM H.*
W. H. Morton & Co., New York
MUDGE, LOUIS G.
International Bank, New York
MUIR, EDWARD D.*
Muir Investment Corp., San Antonio
MULLANEY, PAUL L.
Mullaney, Wells & Company, Chicago
MUNFORD, BEVERLEY B., III
Davenport & Co., Richmond
MURDOCH, G. DONALD
Dempsey-Tegeler & Co., Los Angeles
MURPHY, DENNIS E.*
The Ohio Company, Columbus
MURPHY, JOSEPH D.
Stifel, Nicolaus & Company, Chicago
MURPHY, LESTER V.
Barr Brothers & Co., New York
MURRAY, Jr., WILLIAM N.*
The Illinois Company, Chicago
NELSON, WM. LINTON*
Delaware Distributors, Camden
NEUHAUS, PHILIP R.
Underwood, Neuhaus & Co., Houston
NEUMARK, ARTHUR J.
H. Hentz & Co., New York
NEWBORG, LEONARD D.
Hallgarten & Co., New York
NEWBURGER, Jr., FRANK L.*
Newburger & Co., Philadelphia
NEWHARD, CHAPIN S.*
Newhard, Cook & Co., St. Louis
NEWMAN, Jr., A. JOSEPH
Philadelphia Evening Bulletin, Philadelphia
NEWMAN, VINCENT*
Allan Blair & Company, Chicago
NEWTON, GEORGE A.*
G. H. Walker & Co., St. Louis
NICHOLSON, DANIEL F.
Chicago
NIELSEN, EINER
J. C. Bradford & Co., Nashville
NIX, ALLEN J.
Riter & Co., New York
NOEL, RICHARD C.*
Van Alstyne, Noel & Co., New York
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Greenville, S. C.
NORRIS, H. B.*
Collier, Norris & Quinlan, Montreal

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Basic Facts in Dixon-Yates Controversy

would be relieved of the further expenditure for constructing a plant at Fulton and the private utility companies would be taking up an additional part of the atomic energy load. This would conform with the original proposal of the private companies to supply all the load at Paducah, although their offer would still not be fully met, since Shawnee will continue to supply some energy to Paducah.

This explains the presence of A. E. C. among the contracting parties in Dixon-Yates. A. E. C. participation has been criticized as complicating the arrangement and making more difficult the relationship between the Generating Company and T. V. A. But T. V. A. has no authority to enter into a long-term commitment for power, while the argument over complication ignores the fact that interchange of energy is a common occurrence and the accounting and cost practices are fairly well standardized.

A. E. C. could at any time terminate its Paducah contract with T. V. A. and thereby compel T. V. A. to absorb the energy from Shawnee and the cost of transmission into its system. The Dixon-Yates arrangement saves the T. V. A. this cost. On the other hand, since the cost of coal is higher at Fulton-West Memphis than at Paducah (where A. E. C. would favor construction of a plant for its own purposes) T. V. A. will be expected to bear the extra fuel cost.

The Dixon-Yates contract first came to public notice during the debates last summer on amendments to the Atomic Energy Act. Despite an extended filibuster directed specifically at the power of the A. E. C. to enter into this contract, the amendments were passed and a provision was inserted leaving no doubt as to the A. E. C.'s contracting ability. The controversy was kept afire after adjournment by a sub-committee under Senator Langer, who, despite denial of funds by the Senate, held public hearings on the contract, and provided a forum for anyone opposed to it. A principal witness was a former treasurer of one Middle South subsidiary who complained of certain activities of the parent company. His principal objection was to a capitalization of earned surplus which the parent had recently accomplished — a practice which the S. E. C. has at times not only condoned, but frequently required. He also made some dark hints about "double sets of books," although as nearly as can be ascertained, he was referring to the adjustments made for tax purposes as against the reports and records required under different regulations of the various regulatory bodies. Other witnesses objected to recent rate increases granted another subsidiary of Middle South.

Objection was also made to the failure of the Bureau of Budget, which has endorsed the Dixon-Yates contract, to consider an alternative offer from a private group to build the plant, or to submit the entire contract to competitive bidding. This objection overlooks entirely the fact that a plant like this cannot function as an isolated installation. It must be part of a larger interconnected system which can supply back-up power in the event of breakdown and during shutdowns for maintenance. This system must be available to put to economic use any surplus power from the plant and to absorb the entire output in the event the contract is cancelled. In some respects the Dixon-Yates contract appears to be less favorable to the private companies than does either Electric Energy or Ohio Valley. Not only is there a ceiling on net return to the equity investment, but the sponsoring companies have a definite risk if the cost of construction greatly exceeds estimates.

Controversy over the contract did not end on Election Day. The Joint Atomic Energy Committee met to consider the contract as required by law and to act on the joint recommendation of T. V. A. and A. E. C. that it go into effect immediately. Delay had already increased the cost of the plant by nearly 5%. For the first time in its history, the Joint Committee divided on strictly partisan lines. The contract was modified in an attempt to satisfy objections by permitting recapture of the plant by the Government within two years; by giving the Government the option of extending the contract up to 45 years (the estimated useful life of the plant), and in various other ways, but the Democrats on the Committee were not convinced. What the incoming Congress will do to this arrangement cannot be forecast, nor can it be stated how the Congress could go about disclaiming the arrangement should it desire to do so.

A bold and imaginative attempt to solve a difficult problem and provide urgently needed utility service to an important industrial area of the nation has thus become embroiled in a violent partisan conflict. Nor are the ramifications of this conflict limited to the issue of the Dixon-Yates contract. A prominent Senator who opposes the contract has announced his opposition to the confirmation of two prominent scientists to the Atomic Energy Commission on the grounds that they are not experienced in the electric utility field.

TABLE I

	000's Omitted 9 Mos. 1954	000's Omitted 9 Mos. 1953
Total Financing by Electric Companies	$1,939,074	$1,984,770
Type of Security:		
Long-term debt	1,216,150	1,352,450
Preferred stock	384,571	186,829
Common stock	338,353	445,491
Total	$1,939,074	$1,984,770
Purpose of Issue:		
New money	$1,455,167	$1,966,790
Refunding	481,981	15,742
Divestments	1,926	2,238
	$1,939,074	$1,984,770

SOURCE: EBASCO Services Inc.

TABLE II

	000's Omitted 12 Months July 31, 1954	000's Omitted 12 Months July 31, 1953	% Increase
Electric utility operating revenues	$6,324,442	$5,983,043	5.7%
*Electric oper. revenue deductions	4,231,504	4,027,853	5.1
Federal income taxes (incl. EPT)	813,553	780,284	4.3
Net electric operating revenues	1,279,385	1,174,906	8.9
Gross income	1,445,185	1,335,491	8.2
Net income	1,084,972	1,010,312	7.4

SOURCE: FPC *Excluding Federal Income Taxes.

Financing

Table I shows the extent of financing by the electric utility industry for the first nine months of 1954 compared with the same period in 1953.

During the first nine months of 1954, total financing by the electric utility industry aggregated about $2 billion and was almost a stand-off with the amount of financing during the same 1953 period. This year there was an increase of $200 million in preferred stock which absorbed the reductions in this year's long-term debt and common stock financing compared with the nine months in 1953. In 1954, debt issues represented 63% of the total volume while common amounted to 17% and preferred stock 20% of total. From the standpoint of purpose of issue, this year the sales of securities for new money accounted for 75% of the total and were reported at $512 million less than that tabulated for the nine months in 1953. In this connection, it may be noted that the summary for 1953 includes a commitment of $455 million long-term debt financing for OVEC and EEI.

Favorable markets for financing this year have increased the volume of refunding issues, many of which represent a roll-over of new money offerings in 1953. Refundings for the nine months in 1954 totaled about $482 million against only $16 million for the same 1953 period.

Through Sept. 30, 1954, 61% of total capital financing in 1954 by public utilities, including electric, gas, telephone, etc., was effected under competitive bidding as compared to 38% for the full year 1953; 34% through negotiation or private placement versus 45%; and 5% through sales without underwriting compared to 17% for 1953. Subscription offerings produced about 65% of the common equity capital raised by the various utilities during the nine months ended Sept. 30, 1954.

Earnings

Following the practice in previous reports, there is presented in Table II a summary of revenues and earnings for Class A and B privately owned electric utilities for the 12 months ended July 31, 1954 compared with the same period for 1953:

For the 12 months ended July 31, 1954 KWH sales of electric energy to ultimate consumers set a new record, notwithstanding a declining trend in sales to industrial service which developed toward the end of 1953. The $6.3 billion of electric operating revenues for the period ended July 31, 1954 records an all-time peak as reported to date, and represents an increase of 5.7% over the corresponding period a year earlier. The July, 1954 figures for Gross Income and Net Income show increases over 1953 of 8.2% and 7.4%, respectively.

According to latest FPC data, dividend payments by electric utilties are at record levels. For the 12 months ended July 31, 1954, dividends paid to preferred stockholders amounted to about $142 million and $683.3 million to the common equity holders. In the aggregate these dividend payments represented 76% of Net Income compared with a combined preferred and common dividend pay-out of 73% for the year ended July 31, 1953. While Net Income increased 7.4%, the above payment of common dividends increased 12.4% over the 1953 period. The liberalized dividend policies of the industry in general have facilitated the sale of additional stock and indications are that further adjustments may be made as we move through the 1954 year end and into the financing programs for 1955.

Respectfully submitted,

PUBLIC SERVICE SECURITIES COMMITTEE

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Stern Brothers & Co.
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White, Weld & Co.
Boston

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Mixed Situation in R. R. Securities

facilities and services operated with lowest feasible cost and financed, where possible, by charges levied on the users of the services."

President's Study Commission

Consistent with the comment incorporated in the budget message, it is encouraging and highly significant that President Eisenhower has appointed a Cabinet Committee on Transport Policy and Organization. This Cabinet Committee has been directed by the President to report to him not later than Dec. 1, 1954 on the status of the country's transportation facilities and to make such recommendations as will provide the country with adequate transportation facilities in the event of an emergency as well as in times of peace. The character of the men on this Committee, and their successful private experiences in solving complex competitive business problems, is an important reason for believing that some constructive suggestions may result. It is to be hoped that the report of this Committee will produce more tangible results than has been evident from other efforts to modernize our transportation policy.

The nation's railroads are the largest single segment of our mass transportation facilities. Without financially strong and well equipped modern railroads we cannot have an adequate national transportation system. Without an adequate transportation system our country will not be prepared to meet the demands of peace or war. This consideration alone requires action as well as words!

Respectfully submitted,

RAILROAD SECURITIES COMMITTEE

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Tucker, Anthony & Co.
New York

C. Prevost Boyce
Stein Bros. & Boyce
Baltimore

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Sweney, Cartwright & Co.
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Wood, Struthers & Co.
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New York

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Morgan Stanley & Co.
New York

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Vilas & Hickey
New York

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McMaster, Hutchinson & Co.
Chicago

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Kuhn, Loeb & Co.
New York

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Varnedoe, Chisholm & Co.
Inc. Savannah

James D. Winsor, 3rd
Yarnall, Biddle & Co.
Philadelphia

Wendell W. Witter
Dean Witter & Co.
San Francisco

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In Attendance at IBA Convention

NORTH, FRANK W.*
Barret, Fitch, North & Co., Kansas City
NORTH, LUDLOW F.*
Robert W. Baird & Co., Milwaukee
NOWLAN, ROBERT E.
Stroud & Company, Incorporated, New York
NOYES, BLANCKE*
Hemphill, Noyes & Co., New York
NUVEEN, ANNE (Miss)
Chicago
NUVEEN, JOHN
John Nuveen & Co., Chicago
O'DAY, DANIEL*
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O'ROURKE, T. NELSON
T. Nelson O'Rourke, Inc., Daytona Beach
OSGOOD, ROBERT L.*
Vance, Sanders & Company, Boston
OSTRANDER, LEE H.
William Blair & Company, Chicago
OTIS, C. BARRON*
The Bond Buyer, New York
OWEN, IRA D.*
Allison-Williams Company, Minneapolis
PAIDAR, LEONARD J.
Goodbody & Co., Chicago
PANCOAST, JOHN W.*
Dewar, Robertson & Pancoast, San Antonio
PARIS, EARL P.*
R. S. Hecht & Co., New Orleans
PARKE, SAMUEL W.
Schmidt, Poole, Roberts & Parke, Philadelphia
PARKER, H. SHELDON*
Kay, Richards & Co., Pittsburgh
PARKER, NATHAN K.*
Kay, Richards & Co., Pittsburgh
PARKER, WILLIAM A.
The Parker Corporation, Boston
PARRY, SIDNEY L.*
De Coppet & Doremus, New York

* Denotes Mr. and Mrs.

PATTERSON, DONALD C.*
Chemical Corn Exchange Bank, New York
PAYNE, CARR*
Cumberland Securities Corporation, Nashville
PEET, EDWIN F.
Burns Bros. & Denton, New York
PERSHING, F. W.*
Pershing & Co., New York
PERSHING, Jr., JOHN*
Government Development Bank, Puerto Rico
PESELL, WILLIAM B.
Estes & Company, Topeka
PETERS, GERALD P.*
Peters, Writer & Christensen, Inc., Denver
PETERSON, E. NORMAN
Equitable Securities Corporation, New York
PETTIT, KARL D.*
Knickerbocker Shares, New York
PEVEAR, WILLIAM W.*
Irving Trust Company, New York
PEYSER, BENJAMIN F.
Newburger, Loeb & Co., New York
PFEFFER, DELMONT K.*
National City Bank, New York
PHILLIPS, GUYBERT M.
Caldwell Phillips Co., St. Paul
PHILLIPS, RALPH E.*
Dean Witter & Co., Los Angeles
PICKARD, A. G.*
Burns, Corbett & Pickard, Chicago
PIERCE, CHARLES C.*
Rauscher, Pierce & Co., Dallas
PIERCE, CLYDE C.*
Pierce, Carrison, Wulbern, Inc., Jacksonville
PIERCE, Jr., DANIEL T.*
Hirsch & Co., New York
PIETROWICZ, STEPHEN
Chicago Tribune, Chicago
PIGOTT, JAMES M.
Central Republic Company, Chicago
PITFIELD, WARD C.*
W. C. Pitfield & Company, New York
PLATT, CHARLES M.*
U. S. News & World Report, Washington
PODESTA, ROBERT A.*
Cruttenden & Co., Chicago
POLLOCK, WILLIAM E.*
Wm. E. Pollock & Co., New York
POLLOK, LEWIS W.*
Eddleman-Pollok Co., Houston
POOLE, MONROE V.*
Geo. B. Gibbons & Co., New York
POPPER, ELVIN K.
I. M. Simon & Co., St. Louis
PORTER, WILLIAM C.*
Dittmar & Company, San Antonio
POWELL, JAMES M.
Boettcher & Company, Denver
POWERS, ROBERT A.
Smith, Barney & Co., New York
PRANKARD, HARRY I., II*
Lord, Abbett & Co., New York
PRESSPRICH, Jr., REGINALD W.*
G. H. Walker & Co., New York
PURKISS, ALBERT C.*
Walston & Co., New York
PUTNAM, ALBERT D.
Putnam & Co., Hartford
PUTNAM, Jr., GEORGE*
Putnam Fund Distributors, Boston
PUTNAM, HENRY W.*
Assn. Stock Exchange Firms, New York
QUIGG, JAMES F.*
Paine, Webber, Jackson & Curtis, New York
QUINN, ARTHUR*
Quinn & Co., Albuquerque
QUIST, LEO L.
Harold E. Wood & Company, St. Paul
RAHN, FRED T.
The Illinois Company, Chicago
RAISS, JOHN*
Burnham & Company, New York
RAND, RICHARD N.*
Rand & Co., New York
RAND, THORBURN*
Rand & Co., New York
RANKIN, HARLEY L.*
Goldman, Sachs & Co., Philadelphia
RATCLIFFE, MYRON F.*
Bache & Co., Chicago
RAUCH, ALFRED*
Kidder, Peabody & Co., Philadelphia
REDMAN, W. GUY*
A. G. Edwards & Sons, St. Louis
REDWOOD, Jr., JOHN
Baker, Watts & Co., Baltimore
REILLY, F. VINCENT
Commercial & Financial Chronicle, New York
REIS, Jr., GORDON*
Seasongood & Mayer, Cincinnati
REISSNER, FRANK L.
Indianapolis Bond & Share Corporation, Indianapolis
RENCHARD, WILLIAM S.*
Chemical Corn Exchange Bank, New York
RENO, JOHN W.*
Carl M. Loeb, Rhoades & Co., New York
REPP, HERBERT N.*
Discount Corporation, New York
REUTER, F. BRIAN*
Mellon National Bank, Pittsburgh
REX, WILLIAM M.*
Clark, Dodge & Co., New York
RIEPE, J. CREIGHTON*
Alex. Brown & Sons, Baltimore
ROBBINS, CHANDLER*
M. A. Schapiro & Co., New York
ROBERTS, Jr., ALBERT
Goodbody & Co., St. Petersburg
ROBERTS, MALCOLM F.
Garrett-Bromfield & Co., Denver
ROBERTS, OSBORNE R.
Schmidt, Poole, Roberts & Parke, Philadelphia
ROBERTS, WILLIAM J.
Glore, Forgan & Co., Chicago
ROBERTSON, W. HAROLD*
Mills, Spence & Co., Toronto
ROBINSON, ARTHUR R.*
Anderson & Strudwick, Richmond
ROBINSON, EDWARD H.
Schwabacher & Co., New York
ROBSON, FREMONT W.*
F. B. Ashplant & Co., New York
ROCKEFELLER, Jr., AVERY
Dominick & Dominick, New York
RODDY, JAMES E.*
Scharff & Jones, New Orleans
RODRIGUEZ, GUILLERMO*
Government Development Bank, Puerto Rico
ROGERS, DONALD I.
New York Herald Tribune, New York
ROGERS, Jr., SAMPSON
McMaster Hutchinson & Co., Chicago
ROLL, JOHN B.*
J. B. Roll & Co., New York
ROOSE, GEORGE A.
Roose & Co., Toledo
ROOSEVELT, JULIAN K.
Dick & Merle-Smith, New York
ROSE, MIDDLETON
Laird, Bissell & Meeds, New York
ROSE, REGINALD P.*
De Coppet & Doremus, New York
ROSS, ALFRED J.*
Dick & Merle-Smith, New York
ROWE, ROBERT G.*
Stroud & Company, Incorporated, Philadelphia
RYAN, Sr., BURT T.
Ryan, Sutherland & Co., Toledo
RYONS, JOSEPH L.*
Lester, Ryons & Co., Los Angeles
SAMPLINER, SAM H.*
Bache & Co., Cleveland
SANDERS, JESSE A.*
Sanders & Newsom, Dallas
SANFORD, Jr., J. B.*
White, Hattier & Sanford, New Orleans
SCHANCK, Jr., FRANCIS R.
Bacon, Whipple & Co., Chicago
SCHAPIRO, MORRIS A.
M. A. Schapiro & Co., New York
SCHAUST, GEORGE J.
First National Bank, Minneapolis

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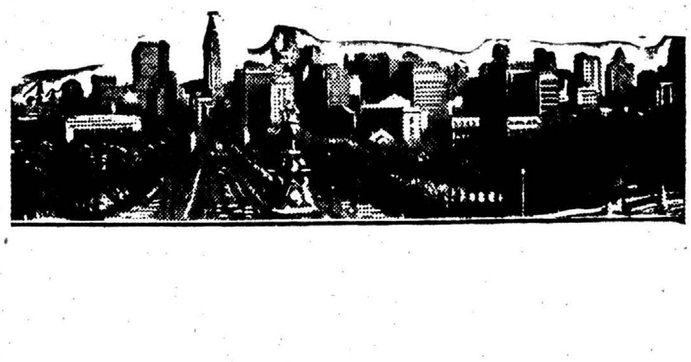

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In Attendance at IBA Convention

SCHELKE, WESLEY G.
Seattle-First National Bank, Seattle
SCHLUTER, HAROLD J.
First Natl. Bank of Chicago, New York
SCHMIDT, W. MARSHALL
Drexel & Co., Philadelphia
SCHMIDT, WALTER A.*
Schmidt, Poole, Roberts & Parke, Philadelphia
SCHOENEBERGER, CHARLES A.
Central Republic Company, Chicago
SCHREDER, HAROLD X.*
Distributors Group, Inc., New York
SCHROEDER, FRANKLIN L.
Braun, Bosworth & Co., Toledo
SCHWEICKHARDT, ERWIN E.*
Schweickhardt & Company, New Orleans
SCHWERENS, MURRAY R.
World-Telegram & Sun, New York
SCOTT, BUFORD
Scott & Stringfellow, Richmond
SCRIBNER, JOSEPH M.*
Singer, Deane & Scribner, Pittsburgh
SCUDDER, DANA B.
National City Bank, New York
SEBEL, HARRY L.*
Hugh W. Long & Co., Inc., Chicago
SEIDLER, Jr., ALEX.*
National State Bank, Newark
SENER, JOSEPH W.*
John C. Legg & Company, Baltimore
SEVERANCE, CRAIG
F. Eberstadt & Co., New York
SEVING, FREDERICK T.*
Butcher & Sherrerd, Philadelphia
SHANKS, WILLIAM S.
The Bond Buyer, New York
SHARPE, WILLIAM P.
Mercantile Trust Company, St. Louis
SHAWELL, WILLIAM J.
Shawell & Company, Houston
SHEEDY, HERMAN J.
McDonald & Company, Cleveland
SHEFELMAN, HAROLD S.*
Weter, Roberts & Shefelman, Seattle
SHEPARD, ROBERT O.*
Prescott, Shepard & Co., Cleveland
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Bacon, Whipple & Co., New York

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Shields & Company, New York
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Blunt Ellis & Simmons, Chicago
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Baker, Simonds & Co., Detroit
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SKELLY, JAMES T.
Midland Securities Corpn., Toronto
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Loewi & Co., Milwaukee
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Bradschamp & Company, Houston
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The Small-Milburn Company, Wichita
SMITH, DUDLEY C.*
Investment Bankers Association, Chicago
SMITH, J. RAYMOND
Weeden & Co., New York
SMITH, LORNE C.*
H. Hentz & Co., New York
SMITH, MARK A.*
F. W. Craigie & Co., Richmond
SMITH, NORMAN*
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SMUCKER, OTTO M.
Chicago Sun-Times, Chicago
SMUTNY, RUDOLF*
Salomon Bros. & Hutzler, New York
SNYDER, HARRY B.
Yarnall, Biddle & Co., Philadelphia
SPACE, JULIAN A.*
Johnson, Lane, Space & Co., Savannah
SPEAS, JAMES W.*
Norris & Hirshberg, Atlanta
SPENCE, W. FREDERICK
Townsend, Dabney & Tyson, Boston

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Lee Higginson Corporation, New York
STALKER, ALFRED J.*
Kidder, Peabody & Co., New York
STANSBERRY, FLOYD F.
Bankers Trust Company, New York
STAPLES, JACK R.
Fulton, Reid & Co., Cleveland
STARRING, Jr., MASON B.
A. C. Allyn & Company, New York
STEARNS, GEORGE
The Economist, Chicago
STEPHENS, DONALD B.*
Cruttenden & Co., Chicago
STEVENS, WILLIAM A.*
J. C. Wheat & Co., Richmond
STEVENSON, ALEC B.*
Vance, Sanders & Company, Nashville
STEVENSON, G. C.*
Bacon, Stevenson & Co., New York
STEVENSON, 3rd, ROBERT
Investment Bankers Association, Washington
STITZER, RAYMOND D.
Equitable Securities Coporation, New York
STOCKBRIDGE, FRANKLIN
Security-First National Bank, Los Angeles
STODDARD, DONALD A.*
Guaranty Trust Company, New York
STOHL, WALTER H.
Fidelity Union Trust Company Newark
STOKES, EDWARD B.
Stokes & Co., Philadelphia
STONE, Jr., FRED D.*
Marine Trust Company, New York
STRADER, LUDWELL A.
Strader, Taylor & Co., Lynchburg
STRAUS, FREDERICK W.*
Straus, Blosser & McDowell, Chicago
STRAVITZ, HENRY
Swiss American Corporation, New York
SULLIVAN, JOHN J.
Association Stock Exchange Firms, Denver
SULLIVAN, Jr., MARK*
Auchincloss, Parker & Redpath, Washington
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SYMONS, STANLEY E.*
Sutro & Co., San Francisco
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Dean Witter & Co., San Francisco
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Hamlin & Lunt, New York
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TODD, WILLIAM
Kuhn, Loeb & Co., New York
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TORREY, ARTHUR S.*
W. C. Pitfield & Company, Montreal
TOWBIN, BELMONT*
C. E. Unterberg, Towbin Co., New York
TOWNSEND, WILLIAM H. P.*
E. W. Clark & Co., Philadelphia
TRAINOR, COLEMAN
Peoples National Bank, Charlottesville
TREUHOLD, EUGENE*
L. F. Rothschild & Co., New York
TRIGGER, RAYMOND
Investment Dealers' Digest, New York
TRIPP, JEROME C. L.*
Tripp & Co., New York
TROST, MILTON S.*
Stein Bros. & Boyce, Louisville
TRUBEE, Jr., FRANK C.
Trubee, Collins & Co., Buffalo
TSCHUDY, ARNOLD*
Bank of America, New York
TSOLAINOS, K. P.*
Baker, Weeks & Co., New York
TURBEN, CLAUDE F.*
Merrill, Turben & Co., Cleveland
TURNER, ARTHUR C.*
New York Hanseatic Corporation, New York
TURNER, JOHN W.*
Eppler, Guerin & Turner, Dallas
UFFORD, HENRY M.
Calvin Bullock, New York
UHLER, EDWARD A.*
R. S. Dickson & Company, New York
UNDERHILL, ARTHUR J. C.
Arthur Wiesenberger & Co., New York
VALENTINE, HENRY L.
Davenport & Co., Richmond
VAN SLYK, MILTON
Journal of Commerce, New York
VARNEDOE, SAMUEL L.
Varnedoe, Chisholm & Company, Savannah
VINSON, EGERTON B.
DeHaven & Townsend, Crouter & Bodine, New York
VINYARD, EUGENE D.*
Central Investment Company of Texas, Dallas
Von GLAHN, THEODORE A.*
Salomon Bros. & Hutzler, New York
VOYSEY, FRANK E.
Kidder, Peabody & Co., Chicago
VRTIS, CHARLES S.*
Glore, Forgan & Co., Chicago
WALBERT, RICHARD B.
Blyth & Co., Inc., Chicago
WALKER, GRAHAM W.*
Joseph McManus & Co., New York
WALKER, LOUIS*
G. H. Walker & Co., Hartford
WALLACE, DARNALL*
Bache & Co., New York
WALTERS, H. L.*
Fidelity-Philadelphia Trust Company, Philadelphia

WANDERS, GEORGE*
The Bond Buyer, New York
WARD, JAMES C.
Third National Bank, Nashville
WARNER, ELBRIDGE S.
Hayden, Miller & Co., Cleveland
WARREN, JAMES C.*
A. M. Kidder & Co., New York
WARREN, ROBERT H.
Blair & Co., Incorporated, New York
WASSERMAN, JOHN
Asiel & Co., New York
WATKINS, Jr., MILES A.*
Stubbs, Smith & Lombardo, Birmingham
WATTERSON, WILLIAM H.*
Fahey, Clark & Co., Cleveland
WATTS, Jr., SEWELL S.*
Baker, Watts & Co., Baltimore
WEBSTER, CHARLES M.
J. M. Dain & Company, Minneapolis
WEED, Jr., WALTER H.
Union Securities Corporation, New York
WEEDEN, ALAN N.*
Weeden & Co., New York
WEHRHEIM, ROBERT V.*
Philadelphia National Bank, Philadelphia
WELLER, FRANK G.*
Wisener & Company, Toronto
WENDT, GEORGE B.
First National Bank, Chicago
WERLY, CHARLES M.*
Putnam Fund Distributors, Boston
WERNER, CHARLES S.*
Wertheim & Co., New York
WHELPLEY, GORDON B.
Goldman, Sachs & Co., New York
WHIPPLE, JAY N.*
Bacon, Whipple & Co., Chicago
WHITBECK, BRAINERD H.*
The First Boston Corporation, New York
WHITCOMB, STEPHEN
Eaton & Howard, Inc., Boston
WHITE, KELTON E.*
G. H. Walker & Co., St. Louis
WHITESIDE, THOMAS
Chace, Whiteside, West & Winslow, Boston
WHITNEY, Jr., LEWIS J.*
Dempsey-Tegeler & Co., Los Angeles
WIDENMANN, HANS A.
Carl M. Loeb, Rhoades & Co., New York
WIESENBERGER, ARTHUR*
Arthur Wiesenberger & Co., New York
WILBUR, LEROY A.
Stein Bros. & Boyce, Baltimore
WILD, RICHARD W.*
First California Company, San Francisco
WILDE, BERTRAM M.
Janney & Co., Philadelphia
WILLIAMS, BENJAMIN D.
W. E. Hutton & Co., New York
WILLIAMS, Jr., C. T.*
C. T. Williams & Company, Baltimore
WILLIS, EDWARD T.*
M. A. Schapiro & Co., New York
WILSON, ALFRED G.
Newburger, Loeb & Co., New York
WILSON, CARLTON P.*
Robert W. Baird & Co., Milwaukee
WILSON, H. WARREN*
Union Securities Corporation, New York
WILSON, HOLMAN R.*
The Kentucky Company, Louisville
WILSON, WALTER W.
Morgan Stanley & Co., New York
WINSLOW, SAMUEL R.*
Winslow, Douglas & McEvoy, New York
WISE, JOSEPH B.*
Dean Witter & Co., New York
WITTER, WILLIAM M.
Dean Witter & Co., Chicago
WOLFF, JAMES W.
Zuckerman, Smith & Co., New York
WOLL, ALBERT J. T.
E. M. Newton & Company, Boston
WOOD, DAVID M.*
Wood, King & Dawson, New York
WOOD, KENNETH H.
J. C. Bradford & Co., New York
WOOD, Jr., OSCAR B.
Southern Securities Corporation, Savannah
WOODARD, RONALD B.
Raffensperger, Hughes & Co., Indianapolis

WOOLFOLK, ROBERT M.*
Woolfolk & Shober, New Orleans
WREN, LAWRENCE
Allen & Company, New York
WULBERN, EDWARD B.*
Pierce, Carrison, Wulbern, Inc., Jacksonville
YEARLEY, ALEXANDER, IV
The Robinson-Humphrey Co., Atlanta
YOUNG, HAROLD H.
Eastman, Dillon & Co., New York
YOUNG, N. D.*
Investment Dealers Assn. of Canada, Toronto
ZAHNER, VICTOR H.
Zahner & Company, Kansas City
ZILKA, HENRY J.*
Zilka, Smither & Co., Inc., Portland

* Denotes Mr. and Mrs.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates on Dec. 16 offered $7,250,000 of Eastern Utilities Associates collateral trust bonds, 3⅝% series due Dec. 1, 1979, at 102.91% and accrued interest, to yield 3.45%. The group won award of the issue at competitive sale Dec. 9 on a bid of 101.52%.

The new bonds will be redeemable at regular redemption prices ranging from 106⅝% to par, and at special redemption prices receding from 103% to par, plus accrued interest in each case.

Net proceeds from the sale of the bonds will be used by Eastern Utilities Associates to redeem and retire $6,930,000 principal amount of its collateral trust bonds, 4⅜% series due 1978.

Eastern Utilities Associates is a registered holding company owning directly or indirectly through stock ownership four operating utility companies: Blackstone Valley Gas & Electric Co., engaged in the electric and gas utility business in Pawtucket, Woonsocket and other communities in Rhode Island; Brockton Edison Co., engaged in the electric utility business in Brockton and other communities in Massachusetts; Fall River Electric Light Co., engaged in the electric utility business in Fall River and other communities in Massachusetts, and Montaup Electric Co., engaged in generating and selling electricity to the three foregoing companies.

For the year 1953, Eastern Utilities Associates and subsidiary companies had consolidated operating revenues of $27,267,794 and consolidated net income of $2,470,413. In an unaudited report for the 12 months ended July 31, 1954, consolidated operating revenues were shown at $27,382,310 and net income at $2,398,594.

Other members of the offering group are: Blair & Co. Incorporated; Dick & Merle-Smith; Salomon Bros. & Hutzler; Auchincloss, Parker & Redpath; Baxter, Williams & Co.; New York Hanseatic Corp.; Wm. E. Pollock & Co., Inc.; Clayton Securities Corp.; Mullaney, Wells & Company and Thomas & Co.

Securities Salesman's Corner

By JOHN DUTTON

Sales "Tips"

This ought to be a good week to talk about "tips"—sales "tips" I mean rather than stock "tips." There seems to be a plentiful supply of the latter variety around most investment offices lately so I'll leave that department to those who make a specialty of that particular activity.

Tip Number 1. Source: L. L. Moorman, V.-P., National Securities & Research Corp.—If you would like to make certain that one of your clients or prospects reads a special letter or circular you are sending to him, telephone him first and tell him that you are putting it in the mail. Don't go into details or give him a story about your offering or suggestion. Just impress upon him that he should watch for it and if possible take the time to read it carefully. Tell him after he has read it, you will give him a telephone call. Most people are receiving too much advertising and mail these days. The more successful and busy they are the less time they have for reading advertising letters, mail pieces, or even a special approach on an investment that you wish to put before them. The telephone call before the mailing takes your message out of the regular run of the mill and highlights its importance. Thus you can obtain attention you might otherwise not be able to secure.

Tip Number 2. Source: Old Man Experience—Never take your customer's loyalty for granted, especially in markets such as we are now ejoying. These are days when people are interested in market profits; they are talking with their friends about stocks; there is an interest in securities and SPECULATION. If your customers want to speculate there is very little that you can do to control this urge in some of them. All people have a desire to try and make some money without working too hard for it. It is better that those who have been doing business with you on a conservative, sound basis continue to to so, even if they insist upon taking on some speculative securities, rather than that they should give their business to someone else. These people who must speculate and try for market profits will do so come what may, and if you don't handle their business some other broker will do so.

We are entering a phase of market activity when it is necessary to keep up with speculative opportunities as well as those of a more conservative nature. Stick to the investment business, but also don't let your customers stray just because you won't buy them some speculative stock that they strongly desire to add to their so-called investment portfolio.

Tip Number 3. Source: Guaranteed — Don't neglect prospecting for new clients. When business is good and you can keep busy most of the day servicing old accounts; selling new issues; originating tax sales; and working over accounts on the books, it is very normal procedure to lock your desk at night and go on home with a satisfied feeling of accomplishment. But each week should bring you some new contacts. The time to obtain radiation is when your clients are happy with their market profits and their dividends. This is the sort of opportunity that is made to order for the investment man who is looking for larger accounts.

There are only so many hours during the week that anyone can give to his business. You can increase your income with less effort by upbuilding your accounts where the unit of investment is larger. It takes less effort in most instances to sell 50 bonds to a client who has the buying power and the understanding to appreciate value than to sell 100 shares of stock to some small investor who has a limited experience with securities. Those larger accounts that you are now handling satisfactorily can bring you some of their friends as clients. Watch for radiation opportunities and build up the larger accounts—these are the times for it.

Tip Number 4: (Don't anyone say that Dutton suggested dropping small accounts). Keep the good ones, large and small. Weed out the time wasters and those that are unprofitable. Add larger accounts. Larger unit of sales are the answer if you want to increase your income — you can only handle a certain number of accounts and do a good job of it.

Continued from first page

The IBA of America Holds 43rd Annual Convention

The New President

Mr. Schmidt, the newly elected President of the IBA, has devoted his entire business career, almost 43 years, to the securities business. He entered the investment field at the age of 16 upon graduation from high school in Hinsdale, Ill., the town of his birth. The Chicago office of White, Weld & Co. employed him as messenger and he advanced rapidly through various departments — cashier, statistical, and trading—to become a member of the sales staff.

After 10 years with White, Weld & Co., Mr. Schmidt was, in 1922, made Manager of the Bond Department, Standard Trust and Savings Bank, Chicago, and three years later became California representative of Halsey, Stuart & Co., Inc., with headquarters in San Francisco. He held various positions in the Halsey, Stuart & Co. organization: syndicate department, Chicago office, 1927-28; sales manager, Philadelphia office, 1929-32; sales manager, New York office, 1932-37.

He withdrew in 1937 to organize, in Philadelphia, his own firm, Schmidt, Poole & Co., predecessor to the company he heads today, Schmidt, Poole, Roberts & Parke, a member of the Philadelphia-Baltimore Stock Exchange.

Throughout the years Mr. Schmidt has worked energetically in the interest of the underwriting and securities business, has held various positions of leadership in trade groups, and is widely known throughout the financial community. He has served the Investment Bankers Association of America in numerous capacities: Vice-President, 1952-54; Governor, 1945-47; Chairman, Federal Legislation Committee, 1946-47; Chairman, Rights Committee, 1952; Special Convention Attendance Committee, 1953-54; and many others.

His interest in the investment banking business is also reflected in other positions of leadership he has filled: Chairman, Eastern Pennsylvania Group of the IBA., 1950, at which time he inaugurated the IBA Investment Forum in the East; District Committee, National Association of Securities Dealers, 1949-51; and President, Bond Club of Philadelphia, 1943. Business, social, and service affiliations include: Director, Pennsylvania Gas Management Company; Municipal Bond Club of Philadelphia; Financial Analysts of Philadelphia; Financial Advisory Committee YWCA., Philadelphia; and Executive Committee, Golf Association of Philadelphia.

Speakers at Convention

Among the principal speakers at the Convention were the Hon. Prescott Bush, U. S. Senator from Connecticut; Devereux C. Josephs, Chairman of New York Life Insurance Company; Hon. A. D. P. Heeney, Ambassador to Canada; Hines H. Baker, President, Humble Oil and Refining Company; and the incoming President, Walter A. Schmidt.

[*These addresses in full text and Committee Reports are given in this issue, starting on page 23.*]

Increase in Members

Chairman Edward C. George, of Harriman, Ripley and Company, Chicago, reported to the Convention that as of Nov. 30, 1954, the Association had 794 members classified as follows:

Class A	66
Class B	70
Class C	129
Class D	257
Class E	272
	794

In addition there were 1,123 registered branch offices of members. These totals compare with 783 members and 1,063 registered branch offices on Nov. 30, 1953.

Education Committee Reports on Year's Activities

The IBA Education Committee, through its Chairman, W. Carroll Mead, of Mead, Miller and Company, Baltimore, reported to the Convention that arrangements were being made for setting up a program for the 1955 session of the Institute of Investment Banking, scheduled for the week of April 4, 1955.


W. Carroll Mead

The Institute provides an executive training program for officers and partners and for other personnel being groomed for positions of increased responsibility. It is the aim of this program to develop leadership, to promote effective operation in all phases of investment banking, and to acquaint registrants with significant current developments affecting the securities business. The Institute is the outgrowth of the Seminars introduced in 1951 under Norman Smith's leadership, as a one year refresher program, and the project was established as a three year school in 1953 to provide a more comprehensive curriculum.

Under the Institute program, registrants attend a one week session at the Wharton School each spring for three years, and on completion receive a certificate of merit in recognition of their specialized training. The first certificates will be awarded at the conclusion of the 1955 Institute.

With the transition to a three year sequence, enrollments have increased substantially: 1951 Investment Banking Seminar 106; 1952 Investment Banking Seminar 101; 1953 Institute of Investment Banking 143; 1954 Institute of Investment Banking 191.

Other activities of the Education Committee during the year were the continuation of the showing of the award-winning motion picture, "Opportunity U. S. A."; participation in the work of the Council for Advancement of Secondary Education; and the support of the IBA Correspondence Course offered in cooperation with the Home Study Department of the University of Chicago, along with other training programs. It was also noted that the IBA is continuing its participation in the work of the "Joint Committee on Education

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The IBA of America Holds 43rd Annual Convention

Representing the American Securities Industry."

Newly Created Small Business Committee Begins Work

The Small Business Committee of the Association, set up around the middle of the year at the request of the Small Business Administration in Washington, through its Chairman, W. Yost Fulton, of Fulton, Reid and Company, Cleveland, Ohio, reported that it has begun work and has under preparation a monograph on equity financing which it hopes will be ready for printing shortly. Members will be informed when copies of the booklet are available for distribution.

Site and Dates of Next Year's Convention

At the conclusion of the regular sessions of the Convention, the Association's Board of Governors voted to reutrn to the Hollywood Beach Hotel, Hollywood, Fla., for the 44th Annual Convention in 1955. The dates set are Nov. 28 to Dec. 3, 1955.

GROUP GOVERNORS

The following have been elected by their respective Groups to serve as Governors of the Association beginning on Dec. 2, 1954:

California

Lester H. Empey, American Trust Company, San Francisco.

J. Earle Jardine, Jr., Wiliam R. Staats & Co., Los Angeles.

Eaton Taylor, Dean Witter & Co., San Francisco.

Central States

William D. Kerr, Bacon, Whipple & Co., Chicago.

Ludlow F. North, Robert W. Baird & Co., Incorporated, Milwaukee.

Eastern Pennsylvania

Alfred Rauch, Kidder, Peabody & Co., Philadelphia.

Michigan

William M. Adams, Braun, Bosworth & Company, Detroit.

Minnesota

Donald E. McFarlane, Kalman & Company, Inc., Minneapolis.

New England

William C. Hammond, Jr., White, Weld & Co., Boston.

William T. Kemble, Estabrook & Co., Boston.

New York

Orlando S. Brewer, Phelps Fenn & Co., New York.

Harold H. Cook, Spencer Trask & Co., New York.

Robert W. Fisher, Blyth & Co., Inc., New York.

Northern Ohio

Robert O. Shepard, Prescott, Shepard & Co., Inc., Cleveland.

Ohio Valley

James R. Burkholder, Jr., Almstedt Brothers, Louisville.

Southeastern

Murrey Atkins, R. S. Dickson & Company, Charlotte.

Southern

Q. R. Ledyard, Equitable Securities Corporation, Nashville.

Southwestern

Harry Beecroft, Beecroft, Cole & Company, Topeka.

GROUP CHAIRMEN

The following were appointed group Chairmen for the ensuing year:

California

Lester H. Empey, American Trust Company, San Francisco.

Canadian

J. Harry Ratcliffe, McLeod, Young, Weir & Company Limited, Toronto.

Central States

Thomas W. Evans, Continental Illinois National Bank and Trust Company, Chicago.

Eastern Pennsylvania

John F. Bunn, Jr., Bioren & Co., Philadelphia.

Michigan

Raymond J. Laude, Goodbody & Co., Detroit.

Minnesota

Ira D. Owen, Allison-Williams Company, Minneapolis.

Mississippi Valley

Arthur A. Christophel, Reinholdt & Gardner, St. Louis.

New England

Forrester A. Clark, H. C. Wainwright & Co., Boston.

New York

Rudolf Smutny, Salomon Bros. & Hutzler, New York.

Northern Ohio

Herman J. Sheedy, McDonald & Company, Cleveland.

Ohio Valley

Powhatan M. Conway, The Bankers Bond Co., Inc., Louisville.

Pacific Northwest

John J. Hasfurther, Blyth & Co., Inc., Spokane.

Rocky Mountain

O. Jerry Jorgenson, Peters, Writer & Christensen, Inc., Denver.

Southeastern

Wilfred L. Goodwyn, Jr., Goodwyn & Olds, Washington.

Southern

Clement A. Evans, Clement A. Evans & Company, Incorporated, Atlanta.

Southwestern

Glenn L. Milburn, The Small-Milburn Company, Incorporated, Wichita.

Texas

Edward Rotan, Rotan, Mosle & Co., Houston.

Western Pennsylvania

Charles McK. Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh.

NATIONAL COMMITTEE CHAIRMEN

The following National Committee Chairmen were named by the Board of Governors for the year 1954-1955:

Atomic Energy Committee: William S. Hughes, Wagenseller & Durst, Inc., Los Angeles.

Aviation Securities Committee: William Barclay Harding, Smith, Barney & Co., New York.

Canadian Committee: J. Harry Ratcliffe, McLeod, Young, Weir & Company Limited, Toronto.

Conference Committee: Ewing T. Boles, The Ohio Company, Columbus.

Education Committee: W. Carroll Mead, Mead, Miller & Co., Baltimore.

Federal Legislation Committee: Franklin T. McClintock, Harriman Ripley & Co., Incorporated, New York.

Federal Taxation Committee: Walter Maynard, Shearson, Hammill & Co., New York.

Finance Committee: Charles S. Vrtis, Glore, Forgan & Co., Chicago.

Foreign Investment Committee: Robert H. Craft, American Securities Corporation, New York.

Governmental Securities Committee: Herbert N. Repp, Discount Corporation of New York, New York.

Group Chairmen's Committee: William D. Kerr, Bacon, Whipple & Co., Chicago.

Industrial Securities Committee: Edward Glassmeyer, Blyth & Co., Inc., New York.

Investment Companies Committee: Walter L. Morgan, The Wellington Company, Philadelphia.

Membership Committee: Nathan K. Parker, Kay, Richards & Company, Pittsburgh.

Municipal Securities Committee: J. Creighton Riepe, Alex. Brown & Sons, Baltimore.

Nominating Committee: T. Jerrold Bryce, Clark, Dodge & Co., New York.

Oil and Natural Gas Securities Committee: William C. Jackson, Jr., First Southwest Company, Dallas.

Public Service Securities Committee: Harold H. Young, Eastman, Dillon & Co., New York.

Railroad Securities Committee: Charles L. Bergmann, R. W. Pressprich & Co., New York.

Savings Bonds Committee: Gordon Crouter, DeHaven & Townsend, Crouter & Bodine, Philadelphia.

Small Business Committee: W. Yost Fulton, Fulton, Reid & Co., Cleveland.

State Legislation Committee: Paul L. Mullaney, Mullaney, Wells & Company, Chicago.

Stock Exchange Relations Committee: Charles L. Morse, Jr., Hemphill, Noyes & Co., New York.

Syndicate Committee: William B. Chappell, The First Boston Corporation, New York.

IBA PAST PRESIDENTS

1953 - 54

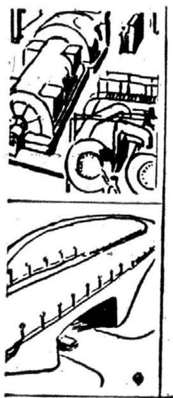
T. Jerrold Bryce

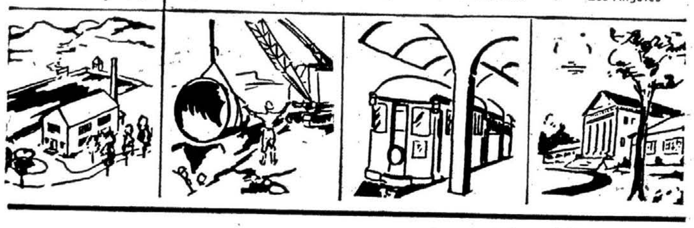
1952 - 53

Ewing T. Boles

1951 - 52

Joseph T. Johnson





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The New Democratic Congress and Business

eral, while controlling both the House and Senate, the party out of power gained less in these recent elections than is normally the case.

All this means that the American people are not handing out mandates any longer. They apparently wish national policies to be hammered out on the hard anvil of controversy and compromise, one by one. At the head of the government they wish a man who commands respect throughout the world regardless of his party affiliation.

Thus, matters are not so simple as when you and I learned about Republicans or Democrats from our fathers. We find resounding differences of opinion in both major political parties. They are no longer hidden in the interest of party unity, but fought over openly and publicly day after day.

Mr. Eisenhower thinks he has found the answer. It is yet to be demonstrated whether or not he actually has an answer or is merely pursuing the only course open to him. He believes in compromise. He believes that those who struggle so avidly at either end of policy disputes will in the end join him in marching together down the middle of the road.

The only difficulty here is that the exact middle of the road is such a narrow white line. So many insist doggedly on marching down the left hand side or the right hand side. Traffic on this highway tends to become quite congested.

Is all this to end up, then, in the "hopeless jam" President Eisenhower forecast when be belatedly undertook to re-elect a Republican Congress? This could certainly be the result unless President Eisenhower is more successful in asserting his leadership.

In certain respects the Democrats appear to be more adaptable to the Eisenhower leadership than the Republicans. We see this in the insistence of Senator Knowland on his own Asian policy rather than that of President Eisenhower and Secretary Dulles. We see it in the 22 to 22 division of Republican Senators on the McCarthy issue. Also in the division among Republicans on the Bricker amendment and the power and authority of the President in conducting international affairs.

I would say that if the "hopeless jam" is to be avoided Mr. Eisenhower will have to grasp control of his own party very firmly. I am not too sure but that in the end he may not shake out the small, determined group of conservatives and let them go where they will. I speak here only in terms of practical politics, but the danger is that if he does so now there may be nothing left of the Republican Party at all. I am sure this has occurred to him. The President has told some of his friends that he wishes it would be possible to form a new political grouping. He wants to include what he thinks of as the best elements in both the Republican and Democratic Parties.

In my opinion, the President will not be able to exercise the leadership which is so imperative unless he lets it be known very soon that he expects to be a candidate for re-election in 1956. The moment Mr. Eisenhower is taken out of this equation the Republican Party falls into a hundred pieces. No man can claim to be its leader or the leader of any controlling faction of it. It hangs together loosely only because of the personal popularity of President Eisenhower.

He is convinced, I am sure, that the Republican Party is the only possible instrumentality through which his program of moderation may be put into effect. And he now has the choice of finishing up the last two years of his Administration inconclusively, leaving behind him a shattered Republican Party; or of carrying on for another term in the hope that his program may be concluded and the Republican Party remade. I think he will decide to finish the job.

This brings me to consideration of the nature of the job which must be finished. All of you here tonight are vitally concerned that the nation shall be on a firm defense footing, that the opportunities of tomorrow shall open with all their inviting promise, and with it all that we shall have a stable, representative government. This is impossible, of course, without peace.

I have felt that the most significant change between the Eisenhower Administration and those which preceded it was simply this: The Eisenhower Administration based its actions on the hope of achieving and maintaining peace; Administrations which preceded it had to operate on the presumption that war with Russia was probable, and was most likely to come at some specific date in the future.

Forecasts on the most likely date for war were always wrong, as everyone hoped they would be. Such forecasts are no longer made. The military top command which had guided the defense policy until early this year was removed. President Eisenhower established a new policy.

America's defense would no longer be planned to reach a peak at some hypothetical date when war was considered to be most likely to break out. The level of defense could only be what the country could support, and the President did not know whether it would take one year, 10 years or 20 years to build it. The build-up of strength would be slower than the old military command thought desirable, but it would be something the country could bear without an economic collapse after the peak was reached.

In practical effect, this meant a progressive decline in the vast sums spent on defense. A progressive $4 billion cut each year could be foreseen until defense expenditures reached a stable level in 1958 at somewhere around $32 billion.

A policy of this kind, of course, had no point and was indeed dangerous unless backed by the conviction that Russia did not want war at any time in the very near future. So far as I can determine that is still the conviction on which policies are based, and it is still the desire to build our defenses more slowly but more surely.

I need not dwell with this audience on the significance of such a decision. Three-fourths of our governmental activity is concentrated on defense. We know here that our lives as well as our fortunes depend upon it and that the mere act of building a defense is the most compelling single influence in American life today.

However, there have been influential opponents of the Eisenhower policy who say that he has cut back too far and has endangered our defense. Others say say we must spend vast sums for the continental defense of the United States. If their advice were followed defense expenditures would rise, taxes would have to be sharply increased, and even then the budget deficit would rise to astronomical proportions.

President Eisenhower has thus far resisted pressure from these quarters. But new programs have been conceived within his own Administration which, if carried out, would tend to reverse the more moderate policies established by the President a year ago.

For one thing, Secretary of Defense Wilson wishes to increase defense expenditures by about $5 billion, thus reversing the field on the progressive cuts projected a year ago.

A new Marshall Plan for Asia has been projected by Secretary of State Dulles and Harold E.

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The New Democratic Congress and Business

Stassen, Foreign Aid Administrator. These new policies are only now being formulated and not much has been published about them, but I predict that you will hear more of them in the future.

It may easily be that the longer Republicans remain in office the more clearly they see the need of the ambitious plans and expensive programs favored by previous Administrations.

In any event, an important difference on policy has materialized in the Eisenhower Administration. It is the first major difference among Mr. Eisenhower's chief lieutenants.

This trouble developed in a rather unfortunate way. Secretary of the Treasury Humphrey has been the main restraining influence on those who would broaden our cold war activities and increase our defense costs and foreign aid. He was absent from Washington attending an economic conference in Rio de Janiero when the word was spread in a mysterious but highly authoritative way that the new policies for aid to Asia were being formulated in the Eisenhower Administration.

These were ambitious policies. They meant giving economic support, including American dollars, to teeming millions of people stretching from Afghanistan through India and Burma on to Indonesia, the Philippines and Japan. Secretary Humphrey first learned of this from the press in South America. His disposition could not have been improved any by the fact that he had just finished telling South American diplomats that they could not expect his support for some of their plans to cut in on American foreign aid.

In fact, much of the ground was cut from under him in his attempt to take a firm line with the South Americans. The Secretary of the Treasury returned to Washington to oppose the Asian aid plans of Secretary Dulles and Mr. Stassen.

The last I heard, Mr. Humphrey's ideas were prevailing, as they have for the past two years. Secretary Humphrey is a very skillful advocate of the idea that nations as well as individuals must be encouraged to stand on their own feet.

I think it depends to a very large extent on Secretary Humphrey whether the moderate course charted a year ago prevails, or whether we shall embark on new undertakings which will upset any prospect of a balanced budget in the foreseeable future.

Mr. Stassen's idea had been that prospective tariff adjustments and trade advantages were not enough; or, in any event, they would come too slowly. Moscow-supported capital expansion in areas of Asia controlled by the Communists would, he thought, prove to be a fatal attraction for nations not yet Communist. Therefore the United States, in league with those nations in Europe which could afford it, should launch an ambitious program for the economic rescue of Asia.

I do not know whether or not Mr. Stassen was right on the slowness of prospective tariff and trade adjustments. But the outlook for Mr. Eisenhower's program for a wholesale revision of American foreign trade policies is certainly very cloudy.

Mr. Clarence Randall, whom many of you here know, has been back in Washington preparing to press again for the tariff and trade adjustment program which was sidetracked last year. Mr. Eisenhower is being urged to deliver another special message to Congress asking for adoption of the program. If he does not deliver a special message, he will surely again ask for the Randall program in his message on the State of the Union early in January.

When the program was first presented to Congress, opposition developed in the Republican leadership. Many Democrats were only too anxious to take the leadership themselves; but the President would have none of this, believing that the Republicans should put this program through and take credit for it.

It may be that the Democrats will wish to take over the Randall program when Congress meets again; at the very least the Democratic leadership will support a three year extension of the reciprocal trade program.

I have mentioned here only a few of the projects and problems confronting Mr. Eisenhower as he tries to finish the job under trying political circumstances. There are many more undertakings. He wants an expansion of the health program, and the roads program. He will push his program for world-wide cooperation in the development of peaceful uses of atomic energy.

The Democratic leadership is approaching its new association with President Eisenhower in a cooperative spirit. But I cannot forget a story told by one of the elder members of Congress who was in the Republican leadership when the Democrats took over control of the House in the Hoover Administration.

This congressional elder statesman says he was present at a White House conference where Mr. Hoover pleaded for a temporary moratorium on politics while Congress adopted some measures to combat the depression. As this elder stateman recalls it, John Nance Garner of Texas, who was then Speaker of the House of Representatives, said something to this effect: "Mr. President, we Democrats control the House of Representatives. We have our own ideas of what ought to be done. We have you where we want you and we expect to keep you there."

Now, perhaps in the year 1955 politics may be set aside in the national interest. But I hope you will not think I am too cynical if I say that I doubt it. On international affairs, perhaps—but only for the reason that the Democrats are really more in agreement with the President's Asian policy than the Republicans.

The Democratic leadership, like Speaker Garner a quarter of a century ago, has a few ideas of its own. In the first place, it wants to pass a new farm bill which will nullify the Benson program adopted by Congress this year after so much travail. The Democrats want to go back to rigid price guarantees of 90% of parity—none of this flexible stuff for them.

Democrats also wish to give income taxpayers in the low brackets a break.

I believe that they wish to reverse the entire Humphrey doctrine of providing incentives for the expansion of industry. They wish instead to provide direct benefits which they believe will increase immediately the purchasing power for the mass of the people. They wish to establish a direct connection between the Federal Government and the voter.

Here I am speaking more particularly of the left wing of the Democratic Party, but I do not think it should be forgotten that on the subject of taxation one of the most conservative of the Democrats, Senator George of Georgia, joined hands with the left wing Democrats last year.

More party discipline, I believe, can be expected from the Democrats than heretofore. During the Truman Administration Congress was controlled by a coalition which fought Mr. Truman's Fair Deal and made of it no more than a paper program submitted to Congress at the opening of each session.

I do not think the basis for this coalition any longer exists. In the first place, Mr. Eisenhower is not likely to submit to Congress many programs which would arouse the particular opposition of Southern Democrats. But even more importantly, the Democrats are thirsting for victory. They are trying to close ranks so that they can beat Mr. Eisenhower if he runs for re-election in 1956.

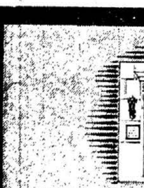
I was astonished at the Democratic discipline during consideration of the McCarthy issue. At one point, Senator Hubert Humphrey of Minnesota, a left winger with a mind of his own, rose to make some remarks. The Majority Leader of the Senate, Lyndon Johnson of Texas, waggled his finger at Senator Humphrey — and, miracle of miracles, tne Senator took his seat without uttering a word.

The announced Democratic policy is to support President Eisenhower when he is right and to oppose him when he is wrong. Now what does that mean in practical political terms? It means that on many occasions the Democrats will be seen supporting Eisenhower, while about half the Republicans in Congress are opposing the President. I do not think the American voting public will like that. I think voters will conclude that the Republicans in Congress are irresponsible.

Democrats, of course, also have their faults. But I would say this in general: Democrats seem to regard politics . . . public life . . . as a way of life; for many Republicans it is a sacrifice. This raises an interesting question, and I do not pretend to answer it here. But I ask, are the Republicans in Washington working hard enough at their jobs, or are they merely temporarily in the Capitol, reluctantly taking time from their businesses?

Let me assure you that politics and public life are a full-time occupation, with very little time out for recreation. And at the summit of public service in these times, men must lay their health and even their lives on the line, and often, I am afraid, without regard for the wishes of their families.

Of course, when we consider the



outlook for the next two years we find one vast area where we have very little information and it is the most important area of all. The leaders of our government do not know what Communist intentions are. They can only guess at them. And we must give these men credit. Thus far they have guessed right.

I would not presume to try to solve an enigma which they cannot solve. This is a fair analysis of the opinion at the top level: In Europe, and in all problems affecting Europe, the Communists have seemed to extend a friendly hand. They even say to our people abroad: Now we wish to be friends. Our officials say the Soviets even resort to blandishments.

On the other side of the world, in China, the Communist world threatens us with war. Twice in the past two years war with China has appeared to be a distinct possibility.

Now, our top officials say, the Soviet attitude in Europe will soon harden. Once again we shall soon enter a time of tension.

Perhaps the forbearance of President Eisenhower is not as plain to you as it is to me. He is visibly restraining himself from giving in to his feelings of anger and frustration. We see this plainly at press conferences. He will not give in to these feelings of anger and frustration; nor, in my opinion, will he ever take action as President Truman did. First, President Eisenhower will go to Congress for authority.

As you all know, opinion differs widely on our policy in Asia. You will see, in Congress in the next six months, a rising desire on the part of a minority to settle the issue with China. They have not yet satisfactorily explained how we shall settle the issue with China without at the same time coming to grips with the Soviet Union.

In the White House there is a man who knows war and who does not think modern war is feasible. I think he agrees with General Douglas MacArthur that general war is no longer a practical instrument of national policy.

From what I have said here tonight, I suppose you can only conclude that we are in for a rather rugged time in Washington. Perhaps you feel as I did 22 years ago when I first gazed down on what seemed to me to be the incredible confusion of the House of Representatives in session.

I asked myself how these men, in all the controversy and confusion, could be expected to govern a great nation. As I learned more I found that decisions were being hammered out in all this racket, and that usually the decisions were right.

Both our system and the men who operate it seem to me to be equal to the times. I think they will master the times. Who, having some glimmering of our technological potential, can doubt that we are only on the threshold of the greatest era in history?

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Our Foreign Economic Policy

fied accountants who certify our balance sheets. In Turkey there is no concept of the equity formation of capital and not one single public accountant is the entire country.

We need help from our diplomatic corps. We need men in the diplomatic service who understand private enterprise and individual resources and prefer it to government management to enterprise.

We have not always had them.

Then we need incentives within our own economy for capital, to flow outward for gain. One of those incentives recommended by the President last year was that there be given to all the world that preference on American taxes which exists in this hemisphere; namely, a credit of 14 percentage points on the corporate income tax return, for income earned by investment that had been sent abroad.

Need the Mechanism of the Investment Trust

We need to restudy that great new modern mechanism the investment trust, to find out how to adapt the investment trust to the flow of outward capital.

So, that is one of the first things to study.

The second is tourism. Time was when people smiled at tourism. It has become an unbelievably important factor in world trade. Fortunately no one in this country that I know of complains about people going abroad to spend their money—but perhaps I have spoken too fast.

Broadly speaking, the general public is not opposed to me or you going to Europe.

Very few people are against that way of stimulating trade.

Why has the great urge of Americans to go everywhere come to pass? A lot of it comes from the GI. He went everywhere. Now father and mother want to go where he went and so does Nellie, before they settle down.

This summer my wife and I were in Europe. We met all kinds of Americans going there, Americans who had never been to Europe before, but Joe was stationed in Germany and they were going over to see Joe.

Now the airplane makes it possible for quick travel to all parts of the world, and don't forget it is not true that travel leads only to dollars going to foreign countries. Most of them come back to us.

Foreign travel is a great stimulus to our own industries, our shipping and the airways.

Of course, you can't balance trade, by friends, just with investment capital and with tourism.

Now, if you will all kindly relax and take an easy posture, this takes me to the tariff.

Strong men differ on this subject. There are a few here tonight who have neither come to see me nor written me, but they will look for me in the next few weeks.

Naturally, since trade is two-way, the goods we ship out must be paid for by goods and services that we receive. The President's program as announced last year is, I believe, a moderate, reasonable approach to a difficult subject.

The objective is to try to assist the world in earning its own way and put into honest application to ourselves, the principle of vigorous competition which has appeared in every set of resoultions of the NAM since it was founded.

Now, the suggestion of the President was that he be authorized over the period of three years to do these things:

Gradual and Selective Reduction Of Tariffs

To make a gradual, a selective, and evolutionary approach to the reduction to the trade barriers imposed by the American tariffs.

I say selective because it would be commodity by commodity, and I believe the President of the United States can be trusted not to exercise that power in any precipitant manner to cause sudden and violent injury to any American industry.

It is a change of direction that is involved, an evolutionary, not a revolutionary, change.

The authority to make reductions was to be exercised at the rate of not over 5% per year, that not being accumulated — that is, the authority not exercised in one year would not be carrier over

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IBA PAST PRESIDENTS

1950 - 51	1949 - 50	1948 - 49
		
Laurence M. Marks	Albert T. Armitage	Hal H. Dewar

Dreyfus to Admit

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Richard Hymes to limited partnership in the firm.

To Be Goldman Partner

Goldman & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Ben Schanzer to partnership.

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Our Foreign Economic Policy

into the second; and that authority would be exercised through multilateral trading — all the nations of the free world gathering together, where concessions by one woud be traded off against concessions by another.

The exercise of the authority under the President's direction would be reciprocal. The United States would get for what it gave, and whatever came to pass in the way of reducing our barriers to the goods of others woud be offset by the reduction of their barriers to our goods. It was also recommended by the President that where any tariff exceeds 50% of value, he should have the authority to reduce it to that level in the three-year period. With any commodity that was not moving at all into the United States suggesting that the tariff was exclusive—it was propsed that he would have authority to reduce that tariff by 50% over the three-year period.

I submit for your consideration, the thought that that is a moderate, middle-of-the-road position with regard to a very difficult problem of great urgency in the world.

Misunderstandings of the President's Program

Now, I find that there is quite a bit of misunderstanding about this program. Quite obviously each man thinks of his own problem. That is human and understandable.

I think sometimes the businessman does not realize the power that other nations possess to limit our economy, or the power of retaliation they possess, when we act, as they think, unreasonably.

Many examples come to my mind. I think of Danish blue cheese, for example. Confidentially, I happen to be very fond of Danish blue cheese.

After the war we needed Denmark on our side. We particularly wanted to use some of the islands in the Baltic for air bases, and Denmark was starving and needed help, and under the Marshall Plan we sent a mission out.

The Danes said, "we have nothing but cheese, nothing but cheese."

We said, "You are silly. You do not know about packaging blue cheese, you never met the American housewife. We will help you."

We set up a million dollars, which was used to establish a pilot plant operation on how to merchandise Danish blue cheese in the United States.

We said, "There are two things we want. We want the air bases, and we want you to buy American coal."

They said, "okay, okay."

So then the American Congress in its infinite wisdom limited blue cheese imports, after the million dollars had been spent, so we lost the bases and the Danes bought Polish coal instead of West Virginia coal.

There was also the matter of Canadian oats. I was born in New York State and grew up in oats. New York State does not like to have Canadian oats come into the United States, and there was quite a "to do" about it. Now it so happens Californians are inordinately fond of shipping citrus fruit into Canada, but Canada said, "Okay, no oats, no citrus fruit."

All the way through the subject you find that what seems to be an advantage for one segment of the American economy, through the imposition of a tariff, is a disadvantage to some other part of the American economy.

And always the danger from imports is easy to see, and that from the loss of the export market very difficult to identify.

When a company finds itself up against foreign competition, it does everything. Its trade association yells, its local paper yells, its Congressman yells, and the whole world hears about it, including me.

But if a factory is running four days because its export market to some country is cut off, because that country cannot earn the dollars with which to pay for the products, no sign goes up on the factory about that; no speeches are made in Congress about that; and yet there is a direct relationship.

I say to you quite bluntly, it is my considered judgment, that a tariff that cuts imports is a tariff that cuts exports. It is that simple.

I spoke of the coal industry. Many of my friends from the coal industry are here tonight.

The coal industry wants residual fuel oil from Venezuela cut off—in an aside which I hope my friends behind me on the platform will not hear, let me point out that this same coal industry which wants to exclude Venezuelan oil is demanding that the State Department compel Belgium to reduce her tariff on coal in order that it may flow into Belgium and also into Holland, France, and Germany.

If it is right for us to impose tariffs, who can say it is not right for other nations to impose tariffs against our products?

There are many tools at hand for the other nations to use to inflict discipline and harm on the United States in connection with the tariff policy.

Let us assume we cut off Venezuelan fuel oil. Venezuela happens to have the most rapidly rising standard of living in the world. It is a tremendous market for the goods of half of the men in this room and you know it. Venezuelans are not going to take it lying down. They want their people to have our goods and they want to have the dollars, and they have a very ready resource at hand as a means for getting the dollars. They can levy an export tax on the iron ore flowing from Venezuela to the United States and we will pay the bill just the same. Or they can levy an export tax on the oil leaving their country and we will pay the bill.

There is no way by which men in power in government can change the economic balance in our country through the tariff machinery without creating a disadvantage that offsets the advantage.

Now, my friends, the National Association of Manufacturers at the close of the war had one slogan: "Take Off Controls, Let the Free Forces of the Economy Play, Restore Freedom of Enterprise, and We Will Put on a Show for You."

Well, I say to you, the manipulation of tariff is government control. It is the same bureaucratic invasion of the business of America that you denounced immediately after the war. But the tariff is not the only form of trade restriction. Trade restriction, barriers to trade, which, my friends are the antithesis of policies I learned in this Association, are found in many other fields. This Association condemns subsidies to business, and yet this Association has not condemned the "Buy American" policy and has not condemned the fifty-fifty provision for the transport of American goods in American ships.

In 1932 there came into being the "Buy American" policy in the midst of the depression. It exists now in the midst of our greatest prosperity.

There have been times when the purchasing policy of the United States has carried this to the point where it has bought a piece of American equipment at the price 25% over the foreign price with the tariff on top of it.

I ask you, with the vast sums of money we are spending in the national budget, and with the National Association of Manufacturers demanding, and properly so, the balancing of that budget, is it right that the purchasing policy of the United States should be conducted on a different basis than you use in your company? You buy on quality and service and at the best price obtainablle. Reflect on it.

And the fifty-fifty. That is government patter which I will explain. As you may or may not know, throughout the Marshall Plan and throughout any other program, where American goods going overseas have in them any element of government support—50% of those commodities must be carried in American ships, whether or not the cost is higher.

You have heard that $45 billion were spent on the Marshall Plan. It is commonly assumed that it went to benefit the other nations of the world, but a great portion of it went to benefit American shipping companies. We wanted to help Norway, a shipping country. She was starving. We didn't let her ships come and get the merchandise. We insisted upon delivering it. I know in our house, we let the Salvation Army come and get it at the back door.

Now, I yield to no man in my belief that we must have a Merchant Marine suited to our defense, but it seems to me the President was right when he said somebody should make a determination as to what Merchant Marine we require for our security and that cost should be paid directly. It should be right up on the b'ackboard so that every American taxpayer can know how much of his taxes go to that cost.

Now, I am not altogether alone in this position; that is borne out by the fact that my friends in the coal industry who have sought protection denounce this form of protection. They are against fifty-fifty shipping because it reduces the outward shipments of coal. Doesn't it seem somewhere along the line that we have to find a principle that can be applied to all industry without making discriminations?

Extraordinary Special Phases of the Program

There are certain special phases of this program that are extraordinary. Take the question of the agricultural surpluses. I think we have walked out on that for a long time. We in industry spend a vast amount of time studying our control costs and I say to you, there is no man in this room who has a controllable cost as great as the unseen cost in his tax bill caused by the agricultural surpluses, and something has got to be done about it.

The American farmer must export 12% to maintain his present output. After the war, he exported because we bought it, with our taxes for aid, and we in industry didn't see that very clearly. You remember the prosperity the farmer had shortly after the war? That prosperity was transferred to the agricultural implement companies. Some of you here tonight wish that they had that prosperity back. It was transferred to the steel companies from the implement companies. The farmer was buying every tractor and every piece of equipment he had heard of. Who paid for them? The American taxpayer, because we gave the money to the European nations with which to buy our agricultural products and that money flowed back to industry, the same industry that demanded that aid stop.

Industry said you should stop aid. You can't get away from that dilemma. We were giving ourselves the prosperity in those days. If we want it stopped, we have to find some alternative. What would happen to the businesses represented in this room if the farmer was cut back 12%? We would have hard work to get together at this meeting because it is from that 12% that the farmer buys products. But industry that needs that farmer market is hesitant to let the people of other lands earn their way to buy the farmer's products. We certainly aren't going to give away those products forever. Then you have to let somebody buy them, it seems to me.

In that connection, there is another interesting little gimmick I can't get away from.

When I go to business meetings, when I get invited in spite of everything, they call me off in the corner and say, "that's all very well, Clarence, but what are you going to do about dumping?"

Now "dumping" means unfair competition. It means that a foreign government pays part of the cost of a product in order to have it enter our markets, and it is unfair, and it is wrong, and the American businessman is quite right to demand strict laws against dumping. But that is exactly what most of the people of the United States are proposing we should do with agricultural surpluses. They are advocating that we dump, and we are a little surprised that the other nations don't like the dumping which we don't like when it is against us. If you ship agricultural surpluses abroad at the world market price, say for wheat, which is below the support price, you are dumping.

Then I say to the Californians here tonight, you manufacturers in California are opposed to dumping. I have been there recently and I know you are opposed to it. How do you feel, then, about subsidizing the export of citrus fruit? The people in Italy and in North Africa and in Holland are saying exactly the same angry things that you fellows say about dumping the products against you in the Dutch, Italian and French equivalent of your profanity.

Let me ask you then what you would do about one or two other special situations.

Take Japan. I suppose three-quarters of the men in this room have been disturbed at the publication of the Japanese list recently, and I bet all the trade associations represented here tonight have their men on the track.

The situation in Japan is desperate, just desperate.

I hesitate to speak this way with General MacArthur here, the man in the United States who knows most about this problem, but I doubt if he will differ strongly with what I have to say.

Japan needs at least $600 million per year in her economy to live. Japanese aid has been cut off. The country had been carried by the Korean War, and thank God, the Korean War is over, but Japan has got to find a way to live.

She hasn't natural resources; she can't raise enough food to live. She has nothing but the energy and skill of her people, and she must export. But we won't let her enter our markets, and the British Commonwealth won't let her enter its markets, and we demand she does not enter her traditional markets in eastern Asia.

What should Japan do and what are the consequences?

The consequences are, we run the great risk of Japan being driven to join the other Satellite countries.

I have heard the distinguished Secretary of State say, and I believe it deeply, that we in the United States cannot take the risk of having Japan's heavy industry, her steel, her shipbuilding, and her munitions, joined to that of the Satellite countries. And, my friends, economic necessity will drive Japan to that course, unless she has a way to live.

That way to live, it seems to me, would be for all nations of the free world, in a spirit of understanding, jointly, to make sufficient reduction in their trade barriers to give Japan what the economists call a viable economy.

East-West Trade

Closely allied to that is the subject of East-West trade.

Now you see, after you have been in government as long as I have, and I am a veteran of a little over a year, I will talk about anything, anywhere. I will even mention it by name. I will talk about Russia and I defy anybody to investigate me for mentioning out loud the word "Russia."

About East-West trade there are two things to eliminate:

No sober-minded person would want strategic goods to move to the Satellite countries; and, we should all accept the judgment of our military advisors that the time is not right for trade with Red China.

What I am talking about instead is the peaceful trade between the countries of Western Europe and Eastern Europe.

For centuries there has been a pattern of trade and it used to go like this: Industry developed in the West, raw materials lay in the East. The products of mine and forest went West, and the West sent East its manufactured products.

At the close of the war, possessing great power over the West, we said, "No more trade with the East." They said, "very good. How should we live?" We said, "Be at ease, we will take care of that—we will send a check." Every year we send a check and pick up the balance. Came a cry from a business man who said, "This will have to stop." We sent a check and said, "By the way, this is the last check." They said, "Now how shall we live?" We said, "We are sorry, we can't discuss that now. We are taking the next plane to Washington, but you can't come into our markets and you can't go into eastern markets. Find yourself business in the world, as long as you don't enter our markets or those of the East."

So, we invited these countries of Western Europe to take a substantial reduction in their standard of living for the priceless privilege of fighting on our side in the cause of freedom—and it makes no sense. I for one believe that we should encourage peaceful trade from the West to the East in order that our allies may become strong. And I may say, it doesn't make any difference what we think, they are going to do it anyway, because they have too much sense to sit still and starve when there is a big market to the East.

Now eventually all of these considerations take you to the most moot question of convertibility.

Convertibility means the right of the citizens of one country to move their capital or earnings to another country.

I hear people say, "Why don't they get ahead with convertibility so we can get more export trade?" Would it were that simple.

Convertibility follows removal of distortion in the world economy. There must be an inflow balancing the outflow.

There must be an actual adjustment in the trade situation before Chancellor Butler of Britain or any other man charged with the policy of his nation can undertake convertibility.

I say we can dismiss from our minds all discussions of convertibility until we have faced up squarely to the question of whether the world is to be permitted to earn its way.

Now, in all this discussion, which generates heat and little light, there is one group in America that is forgotten—and that's the consumer.

There is no national organization representing the people that buy. The Commission on Foreign Economic Policy got 650 presentations from people who sell, and had interests to protect. We got not one from buyers, except from the ladies — and God bless the women forever and their organizations, who today are the only organized group in the United States thinking about the consumer.

I hear it said, that we must raise our tariffs to protect the American standard of living, but for the life of me, I have never been able to see how it raises a man's standard of living to make him pay more for the things he buys.

We are dedicated here in this Association and in our country to the concept of the free market, and to the people who are entitled to a hearing.

Well, there it is.

In a few minutes I will be through here. It has not been easy for me to come tonight, in a place where I have so many friends, some of whom differ so strongly with me on this subject. The head-shaking must have been vigorous behind me on this platform at times, as I have been speaking, but if we can't stand up and take it, and slug it out in honest debate, we aren't the organization that I think we are.

I say to you in closing that the entire world is throbbing with vitality, surging with new ideas in a way that we in the United States only dimly apprehend. We have a great privilege and a great responsibility of leadership. We must and will measure up.

Eaton & Howard 30th Anniversary

BOSTON, Mass. — Eaton & Howard, Incorporated, Boston investment management firm, is celebrating the 30th Anniversary of its founding by Charles F. Eaton, Jr., its President, and the late John G. Howard. The organization was a pioneer in investment counsel and in the development of mutual investment funds, and has grown to be one of the country's leading investment management and counsel firms. It provides investment management to individual and institutional clients, as well as to the two mutual investment funds which bear its name, Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund. These two Funds are owned by over 29,000 individuals, trustees and institutions located in every state and a number of foreign countries. Assets of the two Funds have increased in the last five years from $53,000,000 to over $170,000,000.

Chas. F. Eaton, Jr.

LETTER TO EDITOR:

Too Much "Globaloney" On "Atoms for Peace"

Alden A. Potter writes "Chronicle" there can be no "Atoms for Peace," as long as the Atomic Energy Act is not designed to Adam Smith's specification, but rather to the disarmament under the United Nations.

Editor, Commercial and Financial Chronicle:

The "Chronicle's" able editorial on the relation of "atoms for peace" to our foreign policy reveals the "globaloney" involved—the "obviously vain hopes" of "underdogs" that they can exploit foreign wealth even while protesting loudly against having their wealth exploited by foreigners, that is, by the white "bird-dogs" who "know how."

Alden A. Potter

American "know how" could not have developed, however, without the United States Constitution, which eliminated the separate sovereignties or colonies and bound them into one nation, indivisible, with no insurmountable wall of "inconvertibility" between currencies controlled by each self-governing state separately.

Yet this walled-in state of colonial "isolationism" is being deliberately fostered on a global scale by the dis-United Nations as the nidus of our "foreign policy" of "freedom" and "self-government" for "all peoples," meaning apparently all who don't speak English or Russian and are indigenous like the American Indian.

Our Indians are to be "freed," however, only as wards of our government. They can now become prosperous citizens only if the unproductive reservations onto which they were driven and *then* accorded "rights" happen to develop what were unseen mineral or fossil (oil and gas) reserves.

Nevertheless, these formerly isolated and "free," warring tribes are more numerous as a race today than they ever were or could be had their lands not been colonized by white men who welded those lands into a single nation under a Constitution which prohibits any independent currencies within its jurisdiction.

Obviously, that state of affairs is as valid a principle in one-world economics as it was in horse-and-buggy days for continental economics. Under a dis-United Nations with its flock of alphabetical "agencies" to promote global welfare, free trade and convertible currencies are and must remain impossible just as our forefathers saw them to be, Harry Dexter White and Lord Keynes and their Bretton Woods Agreement to the contrary notwithstanding.

There can be no "atoms for peace" as long as our Atomic Energy Act is not designed to Adam Smith's specifications but rather to provide the folly of disarmament under the "United" Nations in the name of creating a "transition" to a socialistic "Age of Plenty" where only a communistic or "spiritual," welfare government is needed.

The United States is no paradise; nor could it be if its rich endowment of lands stood alone as the surface of an earth blessed with free-trade and no lack of convertibility such as is alleged by virtually all editorials, except those of the "Chronicle," to be an open-sesame to utopia via "foreign trade" in which to dump "surpluses."

To put it in the words of Dr. Karl Sax of Harvard writing in the "Scientific Monthly" while the last (or rather the second) World War was raging:

"Promises of an abundant life and freedom from want for all peoples of all nations seem to be made with no consideration of agricultural production or population pressure. The universe may be expanding, but this world is not, and already many parts of the world cannot support the existing population at much more than a subsistence level. . . . It is the differential population growth and density in various parts of the world that present difficult problems in establishing global unity so essential to world peace and security."

ALDEN POTTER

Box 181, R. F. D. 3
Bethesda 14, Md.
Nov. 28, 1954.

Fed. Management Corp. Acquires Mac Callum

MT. VERNON, N. Y.—Ownership of Mac Callum & Company, oldest investment firm in Mount Vernon, and specialists in Westchester County Bank stocks, has been acquired by Federated Management Corporation, investment dealers of Wooster, Massachusetts. Mac Callum & Company will continue operations in the First National Bank Building offices it has occupied more than 20 years.

James A. Lennon

James A. Lennon, President of Federated Management Corporation, will direct Mac Callum & Company. Mr. Lennon formerly was associated with Coburn & Middlebrook, Inc., of Hartford, Conn., as a registered representative and subsequently as a branch manager of that investment organization. He is Treasurer of Federated Fund of New England, a "fully managed' 'type mutual investment company whose investments are primarily securities of New England companies.

Mac Callum & Company will continue the policy of personal investment service which was started in 1930 by Ralph T. Tyner, Jr. and Kemper F. Peabody under the business name of Peabody, Tyner & Co., Inc. In 1950 Mr. Tyner left the securities field to become President of the New Rochelle Trust Company, now the National Bank of Westchester and Mr. Peabody retired to supervise his Vermont dairy interests. The firm became known as Mac Callum & Company at that time, under the direction of the late Harry Mac Callum, Jr.

Mr. Lennon has announced that Miss Eve L. Wray who has been associated with Mac Callum & Company and its predecessor since 1934, has become General Manager.

Two With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Willard T. Nelson and Edmund A. Zuelke have been added to the staff of Smith, La Hue & Co., Pioneer Building.

IBA PAST PRESIDENTS

1943 - 44 - 45

John Clifford Folger

1942 - 43

Jay N. Whipple

1941 - 42

John S. Fleek

1939 - 40 - 41

Emmett F. Connely

1938 - 39

Jean C. Witter

1937 - 38

F. E. Frothingham

Ladd Dinkins Forms Own Firm in New Orleans

NEW ORLEANS, La.—Ladd Dinkins has announced the formation of Ladd Dinkins & Company with offices in the Whitney Bank Building to conduct a general investment securities business. Mr. Dinkins was formerly in the New Orleans sales department of Scharff & Jones, Inc.

Cady, Roberts & Co. To Admit J. N. Hopkinson

Cady, Roberts & Co., 488 Madison Avenue, New York City, members of the New York Stock Exchange on Jan. 1 will admit John N. Hopkinson to partnership.

Continued from first page

As We See It

will present themselves, and which will give the President, Congress and both political parties quite adequate opportunities to "make a record" plainly in accord with real national interests — or the contrary, if that is thought best by the professional politicians. One of these issues will be that of a sound fiscal policy. The time has now come when the Eisenhower Administration had expected to have a balanced budget. It has no such thing, and apparently has given up hope of having one in the fiscal year ending June 30, 1956. It has on the whole done rather well in reducing expenditures, but a good deal more needs to be done. It has taken some badly needed steps in the matter of revising and renovating our national tax structure, but distressed politicians succeeded in tacking on a few unfortunate provisions here and there, and if the truth be told a great deal more is urgently needed to remove the creeping socialism which the New Deal and the Fair Deal embedded in our tax structure.

That Fiscal Situation

But, of course, a sound fiscal situation can only exist when basic elements in the national scene are in order. No Government — not even one so rich in resources as that of the United States— can develop a really sound financial position so long as it is committed to all sorts of socialistic or semi-socialistic schemes which cost many billions annually, or it insists upon appeasing elements in the population by huge grants of the peoples money, grants which, whether so designed or not, serve chiefly to keep men and women at work producing goods no one wants enough to buy at prices which cover cost of production and a reasonable profit to the producer.

Lavish expenditures on something known as "social insurance" still go on and even greater outlays are planned in the years to come. The most recent additions to this burden were sponsored by the Eisenhower Administration, but, of course, had full support from the Democratic party. We are still pouring out billions in "foreign aid." A good deal of this is "military assistance." It is virtually impossible, often, to tell from published data precisely what a good deal of it all is. There are still individuals in this country who seem to suppose that we can buy friends all around the world, and not go broke in doing so. The time has come and passed for that "agonizing reappraisal"—not only for those areas about which the Secretary of State spoke, but all the other parts of the globe.

The Republican party in Congress has again and again and again either refused to budge on questions of more freedom in international trade —or else succeeded in postponing the issue for some more convenient season which may or may not ever arrive. Trade restrictions of many sorts, tariff and other, are by no means confined to this country. He who today undertakes to enter into international trade anywhere in the world will soon find that he must contend with tariffs, quotas, exchange restrictions and various other barriers everywhere. This, of course, is not a wholesome situation, and, incidentally, it is not one which can be very successfully cured by nibbling tactics such as those employed in reciprocal trade negotiations. The subject requires and must have more serious attention and more vigorous action if we and the world are to move forward in the economic sphere.

All Inter-Related

All this is almost of necessity closely intertwined with various other aspects of what is usually termed "world politics." In an ideal world this would not be the case, perhaps, but the fact is that they are inseparable on this mundane sphere at present. One result of this inter-relationship is that any question of removing trade barriers at once raises a host of questions concerning broad world strategy. But be that as it may, the problem still cries aloud for constructive attention, and the political make-up of the Congress to convene next month seems to assure attention of a sort. It would appear that this subject could not well again be merely pushed off into the future in order to avoid politically risky action.

These are some, although of course not all, the questions which will face the country and the Congress and the Administration next year and doubtless the next. The President and the leaders of both parties in Congress have given evidence of a full awareness of them. There are those, of course, who would rush recklessly into a policy of astronomical expenditure to cure a depression which does not exist and which never really threatened. Fortunately Congress also has its Byrds who have real faith in old-fashioned prudence and commonsense even as applied to Federal expenditures. The position of the senior Senator from Virginia has been greatly strengthened by the election last month. He is likewise not much moved by the pleas of those who would cut taxes while a deficit continues to exist. We can only hope he will be able to exert enough influence in the next Congress to push the good work of the Eisenhower Administration further even if he must do it against the opposition of time servers in both his and the Republican party.

The President has just recalled Mr. Dodge to his side to help in doing something constructive in our foreign financial programs. There is little to indicate how the farm program will fare. The fact is though that all these matters are much more important to the rank and file than the gains or losses of either of the political parties.

Phila. Secs. Ass'n Receives 1955 Slate

PHILADELPHIA, Pa. — Robert E. Daffron, Jr. of Harrison & Co., has been nominated for President of the Philadelphia Securities Association. Mr. Daffron would succeed James T. Gies of Smith, Barney & Co. who took over the office on Sept. 29, 1954, following the resignation of Raymond E. Groff because of illness.

Robert E. Daffron

Other officers nominated were: Francis M. Brooke, Jr. of Brooke & Co. for Vice-President; Lewis P. Jacoby, Jr. of Thayer, Baker & Co. for Treasurer and Spencer D. Wright, III, of Wright, Wood & Co. for Secretary.

The following were nominated for the board of governors to serve for three years: Franklin L. Ford, Jr. of E. W. Clark & Co.; Orrin V. Boop of Schmidt, Poole, Roberts & Parke and Ellwood Williams of the Pennsylvania Company for Banking and Trusts.

The annual meeting and election of the association will be held on Friday, Jan. 14, 1955.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Dec. 10 offered $4,575,000 of Missouri Pacific RR. series YY 2⅞% serial equipment trust certificates, maturing annually Jan. 1, 1956 to 1970 inclusive. The certificates were offered at prices scaled to yield from 1.65% to 3.00%, according to maturity.

Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by new, standard-gauge railroad equipment estimated to cost $5,780,404.

Associated with Halsey, Stuart & Co. Inc. in the offering are: R. W. Pressprich & Co.; Freeman & Co.; Gregory & Son, Inc.; McMaster Hutchinson & Co.

Smith, Hague, Noble to Admit Mark L. Nolan

DETROIT, Mich — Smith, Hague, Noble & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges on January 1 will admit Mark L. Nolan to partnership. Mr. Nolan has been with the firm for some time.

IBA PAST PRESIDENTS

1936-37	1935-36	1934
		
Edward B. Hall	Orrin G. Wood	G. W. Bovenizer

Texam Oil & Gas Co. Stock Offer Completed

The public offering on Dec. 10 by Allen & Co., New York, and associates of 700,000 shares of capital stock (par $1) of Texam Oil & Gas Co. at $5.25 per share was quickly oversubscribed.

Net proceeds from the sale of the stock will be applied toward the repayment of bank loans, for such corporate purposes as further drilling and developing of the company's properties, and for the possible acquisition of additional oil and gas leases.

Texam Oil & Gas Co. is engaged in the business of acquiring by purchase, lease or otherwise lands or leasehold interests, for the purpose of prospecting for and producing oil, gas or other minerals. As of Nov. 10, 1954, the company owned all or part of the working interest in 46 producing leases covering 11,319 gross acres, all in Texas, with most of the acreage in the western part of the state. The company presently has working interest in 112 producing oil wells and six producing gas wells and is selling and will continue to sell its production of crude oil at posted field prices, generally to major oil pipeline companies. For the month of September, 1954, the average price received for crude oil produced from properties now owned by the company was $2.68 per barrel. Production from four gas wells in which the company has an interest is sold to Tennessee Gas Transmission Company.

John P. Lins to Be Partner in Goodbody

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit John P. Lins, member of the Exchange, to partnership. Mr. Lins was formerly a partner in Foster Bros., Weber & Co. of Toledo.

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Toward an Acceptable Contracyclical Policy

currents," is pictured as being able to purchase a precarious survival only through continual delivery of "stable prosperity." In this critical situation, the government's role is that of defending the private economy against cyclical forces which would cut off the regular deliveries of "stable prosperity." Thus the government is cast in a fighting role. Moreover, no limitations of this defensive commitment are mentioned in the premise. All the powers of the Federal Government are presumably committed to its big brother role.

The kind of big stick carried by this big brother is usually not described in detail by advocates of the current fashion in contracyclical policy. Although it is customary to speak of the taxing, borrowing, spending, and monetary activities involved in the government's contracyclical operations as part of its "economic program," these governmental activities are "economic" only in the sense that they employ economic instruments and intervene in the course of economic events. Actually, all the powers of the Federal Government are essentially political in nature, resting ultimately upon the coercive power of the armed force assigned to that government by the Constitution. That is to say, governmental operations in the economic as in any other field constitute the government's exercise of its powers of coercion and compulsion over the lives and property of individuals and social groups. It is precisely that backing of coercive power that distinguishes governmental from private enterprise in economic affairs.[2] Therefore, the big brother of the private economy will be able to crack a lot of heads, if such violent action becomes necessary in the conduct of his contracyclical warfare.

The Second Premise

"The second premise of our policy is that the government must take preventive action, and not trust exclusively to therapeutic measures." (50)

This second premise defines the general nature of the *strategy* which guides the Administration in its application of coercive power against the forces of cyclical business fluctuations. And the keynote of that strategy is easily identified as the principle of the offensive. In selecting offensive action as the keynote of the big brother's strategy, the Administration is, of course, conforming to the highest standards of traditional war planning.[3]

As every student of war strategy knows, the principle of offensive action belongs to a large family of principles governing the strategic handling of coercive power. Besides the offensive, that family includes the principles of concentration of force, economy of force, mobility, surprise, security, and cooperation. It is, of course, possible that the Administration has dipped into that large family and extracted only the principle of offensive action. But such frugality in the utilization of our store of knowledge can be dismissed as too improbable, especially since adherence to the remaining six principles is usually a necessary condition for the successful exploitation of offensive action. Therefore, I deduce that all of the principles of war strategy are implicit in Dr. Burns' second premise.

The Third Premise

"The third premise of our policy is that the government must conduct its affairs so as to inspire favorable expectations concerning the future on the part of people generally." (50)

Students of military theory will have no difficulty in indentifying this fragment of the Administration's grand strategy as the third of Karl von Clausewitz's famous "three principal objects in carrying on war," namely "To gain public opinion."[4] In the government's war against the forces of cyclical business instability, Dr. Burns' third premise means that the Administration must convince consumers, investors, and businessmen that it would be rational for them to bet on the big brother to win. Failure to attain this objective of strategy could mean the loss of cyclical battles and perhaps the whole war. If, for example, "people generally' became convinced that a severe depression was coming soon in spite of the big brother's efforts, it would be rational for them to put their spare cash under the mattress, thereby giving aid and comfort to the forces of business depression.

Here again, it is not to be supposed that the Administration would adopt one of the three principal objectives of war strategy and ignore the other two, namely, the destruction of the enemy's armed force and the seizure of his material resources. In the species of warfare with which we are here concerned, the enemy's material resources consist in the purchasing power which you and I have at our disposal, while the enemy's armed forces are identified by most students of contracyclical policy as disequilibrating changes in our aggregate spending intentions. With these facts in mind, we can see that those other two

2 "State or government is the social apparatus of compulsion and coercion. It has the monopoly of violent action." Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949); p. 149.

3 "The offensive is accepted by the military student as the all-important principle. Without it, no final and victorious decision can be gained. It secures the initiative, facilitates surprise, creates a favorable reaction among the troops and civilians alike, and a reverse reaction among the citizenry and army of the enemy. Only by seizing the initiative can the commander carry out a definite plan and insure the cooperation of all available forces, human and material, toward the attainment of his end. . . . Complete loss of the initiative, and the resort to a passive defense can hope for no more than the avoidance of defeat." Herman Beukema, "Strategy", *The Encyclopedia Americana*, 1947 Edition, vol. 25, pp. 715-16.

4 "There are three principal objects in carrying on war:
(a) To conquer and destroy the enemy's armed force.
(b) To get possession of the material elements of aggression and of the other sources of existence of the hostile army.
(c) To gain public opinion."
Captain J. E. A. Whitman, *How Wars are Fought: The Principles of Strategy and Tactics* (London: Richard Clay and Company, Ltd., 1941), p. 116.

principal objectives are not neglected in the Administration's grand strategy for contracyclical war. On the contrary, the attainment of those two objectives are the missions of the monetary, taxing, borrowing, lending, and spending operations which constitute the widely-advertised parts of the Administration's "economic program." We can also see that you and I may be classified as collaborators with the enemy of "stable prosperity" today because we spend too much and tomorrow because we spend too little.

II

What Criteria of Present Contracyclical Policy?

If we expect the Federal Government to wage a species of war against the unpredictable forces of cyclical boom and bust, it is futile to use ordinary economic principles as the criteria for appraising the government's conduct of that war. The appropriate criteria for appraising the conduct of any species of war are the conventional principles of war strategy. And these principles are sharply divergent from the principles of economics on several crucial points. Thus the strategic principle of "concentration of force" calls for the allocation of the largest possible fraction of available resources to the execution of the decisive mission, whereas economic theory emphasizes the advantages of a dispersed allocation of scarce resources among the many different uses desired by the sovereign consumers. The strategic principle of "economy of force" is subordinate to the principle of concentration, and calls for staving subordinate missions of resources in order to beef up the decisive mission and thereby increase the probability of victory, whereas the "economy" of economic theory is an efficiency idea, meaning the maximization of wented output obtainable from scarce resources. In this contracyclical war, the strategic principle of "mobility" calls for the government to reverse the direction of its coercive pressure with the turn of the cycle, e.g., to be ready to switch sides like a nation trying to maintain a balance of power in international military conflicts.

For instance, the principle of mobility would call for the shutting down of government works projects at the signalled approach of boom conditions, a maneuver which economic theory would condemn as an unacceptable waste of scarce resources. The strategic principles of "surprise" and "security" prohibit the signalling of government intentions and punches in the contracyclical war, whereas economics views complete advance knowledge of intentions and events as one of the necessary conditions for the most efficient operation of the "system of free and competitive enterprise" which the government is expected to defend from cyclical disturbances.

Finally, in the contracyclical war the "cooperation" of all governmental missions must be achieved through the authority of a unified command, whereas economic theory teaches that the cooperation of all economic activities can attain maximum efficiency only when it is achieved through the impersonal mechanism of a free price system operating under impartially enforced rules of the game.

The sharp divergencies between strategic and economic principles provide a sufficient explanation for the Administration's reluctance to make full disclosures on certain key points which interest professional economists. Professor Clarence E. Philbrook recently commented on the "disquieting" lack of complete candor in the January, 1954, *Economic Report of the President:*

"It is contemplation of the *Report* as a commentary on the problem of stabilization that is disquieting. The sources of disquietude can be indicated by reference to three aspects: the criteria for instrumentalities or devices, the attitude toward guides to action, and one great lacuna which will be pointed out below."[5]

Professor Philbrook found in that Report no assurance that economic efficiency in the allocation of scarce resources would be given high priority in the criteria for the Administration's selection and use of contracyclical instrumentalities (202-04); no clear statement on either the selection of indexes to be used as signals for governmental action or on what changes in the selected indexes would constitute which signals (204-05); and the "great lacuna" he found in the Report was the absence of any real discussion on the subject of wage rates (205-06). In his concluding paragraph, Professor Philbrook gives a veiled hint that he knows the real reason for the lack of candor in the *Report:* ". . . something of a case can be made for the idea that greater good would be achieved in the long run by less immediate forthrightness on the part of the Administration — for example, with respect to the farm program." (207)

If the government is waging the kind of contracyclical war indicated by Dr. Burns, we need not hint or guess at the reasons for the Administration's lack of complete candor on the strategy, tactics, or instrumentalities and signals of that species of warfare. The strategic principles of surprise and security would call for the Administration's use of both concealment and deception in its public statements on its conduct of the contracyclical war. Moreover, the principles of war strategy subordinate economic efficiency, as the professional economist uses that concept, to concentration of maximum combat power on the decisive missions. Hence the strategic criteria for the allocation of scarce resources among, for instance, housing, agriculture, and public works is not the question of which allocation would yield the maximum value of useful product per marginal dollar of expenditure, but which allocation would give the greatest probability of defeating the cyclical forces which constitute the current or immediately anticipated threat to business stability.

Similarly, since wage earners comprise a large segment of the "people generally" whose support of the Administration's stabilization policy is a principal objective of contracyclical strategy, the Administration's policy on wages must necessarily be guided mainly by the exigencies of the strategic situation, and not by considerations of economic efficiency. And no amount of exhortation or lip service to the goal of maximum economic efficiency can change the categorical imperatives of sound strategy in the contracyclical or any other species of warfare. The CED's Research and Policy Committee appears to have recognized these facts of war strategy when phrasing the following exhortations:

"In some circumstances a question may arise of choosing between tax reduction and expansion of public works, or of choosing the best combination of the two. *If we leave aside for the moment questions of feasibility, which in many cases will be the governing consideration,* this question may be answered in terms of two objectives:

"(1) We should try to hold down the amount of uneconomic and unnecessary shifting of employment and productive activity, as between industries and regions, that is involved in maintaining or restoring high employment.

"(2) We should try to stimulate not only high employment but also efficient and useful employment."[6]

In the light of the CED Committee's own qualifications, which I have emphasized by the added italics, these quoted exhortations on economic efficiency are comparable to the following piece of advice to our Strategic Air Command: If we leave aside for the moment questions of sound strategy, which in many wars will be the ruling consideration, the targets for your bombing missions should be chosen with a view to minimizing destruction of human life and productive capital in enemy territory.

In short, if we expect the Federal Government to wage a contracyclical war, we must be prepared to put up with surprises, concealment, waste of scarce resources, and whatever other conditions or expedients the Administration deems necessary and/or sufficient for victory over the enemies of "stable prosperity."

III

Is the Cure Worse Than the Disease?

The dilemma which is built into the current fashion in contracyclical policy can be summarized in terms of a popular notion and certain economic and strategic realities: The dilemma starts from the popular notion that the government's defense of "stable prosperity" is a necessary condition for the survival of "our system of free and competitive enterprise." The economic realities are, first, that in a country experiencing a rapid growth in population the continued enjoyment of genuine "prosperity" (i.e., not a mere inflationary fever) depends more upon a continual rise in economic efficiency than upon the mere absence of cyclical business disturbances. The second fact of economic life is that the unhampered operation of the system of free and competitive enterprise is a necessary condition for a continual

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5 "A Libertarian Reaction to the President's Report," *Southern Economic Journal*, XXI (October, 1954), p. 202.

6 *Defense Against Recession: Policy for Greater Economic Stability.* A Statement on National Policy by the Research and Policy Committee of the Committee for Economic Development, March, 1954, p. 39. Italics added.

IBA PAST PRESIDENTS

1931 - 32

Allan M. Pope

1930 - 31

Henry T. Ferriss

1929 - 30

Trowbridge Callaway

IBA PAST PRESIDENTS

1927-28

Henry R. Hayes

1926-27

Pliny Jewell

1925-26

Ray Morris

Monterey Oil Co. Financing Completed

Lehman Brothers and associates on Dec. 9 publicly offered 300,000 shares of common stock (par $1) of Monterey Oil Co. at $36.50 per share. This offering was quickly oversubscribed and the books closed.

Concurrently with release of the offering of shares, it was announced that Monterey Oil has placed privately through Lehman Brothers $42,000,000 of its 4% promissory notes (secured) payable in installments sufficient to retire approximately 72% by Sept. 30, 1962, with the balance due Dec. 31, 1962.

Of the net proceeds received by Monterey Oil from the sale of the shares, $8,000,000 will be used to retire all of the company's unsecured bank indebtedness incurred in connection with its purchase on Nov. 3, 1954 of substantially all of the business and assets of Fullerton Oil & Gas Corp. The purchase price was $50,000,000. The balance of the net proceeds will be used for general corporate purposes.

The acquisition of Fullerton is expected to approximately double the amount of gross income reported heretofore by Monterey Oil. Pro forma consolidated gross income of the two companies for the year ended Aug. 31, 1954 was $18,460,059 and net income was $800,028.

Monterey Oil is engaged in the production and sale of oil and gas from properties located in California, Texas, New Mexico, Oklahoma and Wyoming. It also owns interests in three natural gasoline plants located in California and Texas.

Forms Shelton Sanders Inv.

ALBUQUERQUE, N. Mex.—Aurelia Shelton Sanders is engaging in a securities business from offices in the Sunshine Building under the firm name of Shelton Sanders Investments.

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Toward an Acceptable Contracyclical Policy

rise in economic efficiency. The final ingredient in this dilemma is the fact that the strategic principles and exigencies of contracyclical warfare necessarily subordinate economic efficiency to victory over the cyclical forces. Consequently, the current fashion in contracyclical policy puts us into the agonizing dilemma of having to make frequent choices between "stability" and genuine "prosperity."

If we always chose the stability horn of this dilemma, we should be running the grave risk of killing the system of free and competitive enterprise even before we overcame the business cycle. How long the free private enterprise system could survive a succession of compulsory braking, reversing, stimulating, distorting, and frustrating governmental pressures on the spending and investing activities of individuals and business firms is anybody's guess. Battlefield conditions are not conducive to longevity in any kind of war. That guess is complicated to an indefinite degree by a fact candidly admitted by Dr. Burns in a masterpiece of understatement, namely, ". . . the government is by no means omnipotent and . . . is capable of making mistakes" (49).

On the other hand, if we always chose the prosperity horn of the dilemma, we'd have to subordinate strategic victory over cyclical forces to business prosperity, thereby running the risk of losing the contracyclical war by default, probably through a runaway inflationary boom.

It seems to me that any contracyclical policy which forces us to choose between business stability and genuine prosperity based upon economic efficiency cannot be regarded as the final solution of our troubles with the business cycle. It may even be a worse evil than the business cycle itself. That impression is reinforced by doubts on the accuracy of the popular notion upon which the current fashion in contracyclical policy is based. I am not convinced that the survival of our system of free and competitive enterprise depends entirely, or even mainly, upon its ability to pay off in "stable prosperity." I believe that a majority of the American people would still choose freedom, if forced to choose between freedom and cyclical stability.

From these various considerations, I conclude that the permanently acceptable contracyclical policy would be one under which business stability and economic efficiency, instead of being in frequent conflict as they must be under the currently fashionable policy, would always be mutually reinforcing. Applying that acid test to available alternatives brings me to the conclusion that the permanently acceptable policy must be one which followed the principle of indirection in the business cycle problem. Such a policy would aim directly at certain proximate or instrumental objectives, the attainment and permanent occupation of which would give us a satisfactory degree of cyclical business stability as a byproduct.

One of those instrumental objectives for which widely known arguments have already been developed is a stable value of the dollar, as measured by some appropriate price level index.[7] The selection of these instrumental objectives is, of course, a matter for discussion. Once they had been wisely selected, however, their permanent occupation would constitute strong "keeps" or dependable points of reference in the institutional "framework" within which the free private economy operates. The permanent occupation of those "keeps" would become a routine duty of the Federal Government, which then would need to pay no more attention to the strategy of contracyclical warfare. Public confidence in the stability of the value of the dollar, for instance, would be a more rational source of "favorable expectations concerning the future on the part of people generally" than confidence in the economic conditions likely to prevail on the battleground of a contracyclical war.

7 e.g., Lloyd W. Mints, *Monetary Policy for a Competitive Society*. (New York: McGraw-Hill Book Company, 1950).

A Good Man for a Big Job!

"It is my desire that we proceed as rapidly as possible to bring about improvements in the organization of the Executive Branch for the development and coordination of foreign economic policy, including its relation to domestic economic policy where it is involved.

* * *

"Effective immediately I am designating you as Special Assistant to the President to assist and advise me in accomplishing an orderly development of foreign economic policies and programs and to assure the effective coordination of foreign economic matters of concern to the several departments and agencies of the Executive Branch.

Pres. Eisenhower

Joseph M. Dodge

"More particularly, in respect to foreign economic matters, I shall look to you to provide for the anticipation of problems and issues, insure advance preparation, analyze information for the purpose of clarifying and defining issues, and determine the primary responsibilities of the Executive agencies for the preparation of original documents and for any other steps necessary to produce a coordinated and agreed-upon governmental position."—President Dwight D. Eisenhower to Joseph M. Dodge.

It is a big job, and an important one, that the President is asking Mr. Dodge to undertake. The field is ripe unto the harvest. We can now hope for progress where progress in the past has been slow.

Century Uranium Stock Offering Completed

The recent offering by James Anthony Securities Corp., New York City, of 300,000 shares of common stock (par five cents) of Century Uranium Corp. at $1 per share has been completed, all of said shares having been sold. These shares were offered "as a speculation."

The net proceeds from the sale of these securities are to be used to make payment due for mining leases; pay for exploration work for the first year; for working capital and for general corporate purposes.

Giving effect to the sale of 300,000 shares, there are now outstanding 700,000 shares out of the 3,000,000 shares authorized.

Century Uranium Corp. was organized in Delaware on April 14, 1954 and is the sublessee of 235 mining claims located in Elk Ridge, San Juan County, Utah. They have a total acreage of approximately 4,798. In addition, the corporation also subleased in the same area 49 other claims.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is now becoming more conscious to year-end adjustments, because this is the time when portfolios are being arranged with more than a weather eye toward the tax angle. On the other hand, the refunding operation is still very much of a market factor, because the issues which were offered in exchange for the Dec. 15 maturities are still being digested. The 2½s of 1963, while not yet as well distributed as they will be, are nonetheless continuing to move into strong hands.

The heavy demand for mortgage money, as well as the flotation of non-Federal obligations, continue to furnish keen competition for Treasury securities. Also the sharp uptrend of prices in the equity market is a factor which, some in the financial district believe, may eventually influence the trend of interest rates. Accordingly, the "active ease" policy of the monetary authorities is being watched with an eagle eye.

Tax Operations Predominate

The year-end switching operations for tax purposes, which entails the taking of profits and losses, is becoming much more important each day in the government. It is evident that some sizable exchanges are being made in portfolios in preparation for the closing of the year 1954. These kind of trades have a tendency at times to bring about some rather unusual price movements in the market. Nonetheless, it is the opinion of most money market specialists that quotations of Treasury issues will not show very much in the way of significant changes during the balance of the year.

The exchanges which are being made for year-end tax purposes appear to be following no particular pattern, which has been pretty much the case in past years. There is, however, evidence that the recently available 2½s of 1963 have gained owners through the tax swops which are being made. It is reported that not a few of those that are making year-end tax adjustments in their holdings of government securities are using the refunding of 2½s as replacements for the issues which are being disposed of.

To be sure, there are other Treasury issues in or near the maturity range of the eight-year-eight-month refunding bond that are also being used in these switches, but reports indicate the 2½% of 1963 is the more important obligation in these operations.

Long Market Under Pressure

The longer end of the government list appears to be a bit more on the stable side, even though these securities do not have a market with any important amount of breadth to it. State and municipal pension funds have been making what is termed fair sized purchases, and there are reports of buying here and there by some of the commercial banks. However, as a whole, the thinness of the market for the most distant maturities is one of those things that is not likely to be remedied until there are more buyers around than have been appearing in the recent past. Competition from non-Federal obligations is still being felt in the long-term government bond market.

Opinions on 1955 Rate Trend

There seems to be different opinions around as to what will be the trend of interest rates with the coming of 1955. Some believe that unless the "active ease" policy of the monetary authorities is made somewhat more effective in the not too distant future, there will be a modest firming in money rates. They point out that the heavy demand for mortgage money, along with the other borrowings of a non-Federal nature, as well as those for the payment of taxes in the first half of next year, could bring about somewhat higher interest rates.

On the other hand, there are other money market specialists who believe that the building boom can still be taken care of without increasing interest rates. It is being pointed out that as the new year moves along, there should be a leveling off in the demand for mortgage money and, with this being the case, there will be no pressure for an upping of money rates. The stock market boom, it is indicated, can be taken care of without making changes in the "active ease" policy of the monetary authorities. Short-term money rates are not expected to show any significant changes from the pattern which has been in vogue.

Martin vs. Sproul

The dispute between Chairman Martin of the Federal Reserve Board and President Sproul, of the Federal Reserve Bank of New York, over Open Market operations in government securities continues to be as vigorous as it was previously. Mr. Martin is for operations only in short-term issues, whereas Mr. Sproul favors operations in any Treasury issue, whether is be short or long.

IBA PAST PRESIDENTS

1922-23

John A. Prescott

1920-21

Roy C. Osgood

1915-17

Lewis B. Franklin

Bell, Gouinlock Co. Inc. Formed in N. Y. City

Announcement is made of the formation of Bell, Gouinlock & Company, Incorporated, with offices at 64 Wall Street, New York City. The new office will be under the management of Paul H. Crosby, formerly of the Toronto office.

The firm is affiliated with Bell, Gouinlock & Company, Limited of Toronto and Leggat, Bell, Gouinlock Ltd. of Montreal.

Shearson, Hammill to Add Spaulding, Lokay

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange on January 1 will admit Philip Spalding, member of the Stock Exchange, and John M. Lokay to partnership. Mr. Lokay has been with the firm in the syndicate division of the municipal department. Mr. Spalding has been active as an individual floor broker.

Kenny & Winfield With Eastern Securities Inc.

Eastern Securities, Inc., 120 Broadway, New York City, announced that James Kenney and Walter Winfield have joined their trading department. Mr. Winfield was formerly with Bonbright & Co. and Van Alstyne, Noel & Co. for many years. Mr. Kenny was with H. M. Byllesby and Company, Incorporated for 30 years and has recently been with Walston & Co.

Continued from first page

Debts Keep Rising

the second half. The more instructive it is to find that during the year as a whole, there was a $21.4 billion increase in the net private debt, as against $23.5 billion in 1952, $32.6 billion in 1951, and a record $39.9 billion in 1950. But outstanding state and local debts were boosted by $2.8 billion ($2.6 and $2.5 billion in 1951 and '52, respectively). And the net national debt rose in 1953 by $7.8 billion—which, with a $1.5 billion decrease of the Treasury's cash balance, added up to a $9.2 billion deficit, the largest in any postwar year—this under the economy-minded Republicans!

In other words, we keep going into debt, if only at a reduced rate, as we are supposed to keep producing an ever-higher GNP figure. Both processes advanced "only" 5% or so in 1953, the one by $33 billion, the other by $18.8 billion.

What about 1954? Incomplete as the data are for the first eight months, they tell something about the "recession." Consumer credit stood at the end of September roughly $0.7 billion below last December—half a billion ahead of a year earlier. As to the volume of loans of all banks, they have gained a little over one billion dollars in the first nine months, and are likely to gain another billion or two before the year is over.

New corporate bond issues amounted to $3.7 billion in the first eight months of this year, lagging somewhat behind the same period of 1953. But urban mortgages cannot lag behind last year's $8½ billion in view of the higher level of building activity currently. Municipal bond issues are likely to forge ahead, while the budget deficit is supposed to decline to a mere $3 billion. In short, the 1954 recession did not stop the growth of private and municipal debts, but merely slowed it down. This year's total increase in debt is likely to turn out to be equal, or very close, to the $30 billion postwar annual average—while the GNP is running about $10 billion behind last year!

	Net Economic Debt* ($ billions)	Increase or Decrease in ($ billions)	Increase or Decrease in Percent	Gross Federal Debt† ($ billions)
1916	79.9	---	---	1.2
1921	111.3	+31.4	+39.3	22.9
1929	171.9	+60.6	+54.4	15.1
1938	135.9	—36.0	—20.9	32.7
1945	154.5	+18.6	+13.7	292.6
1946	169.1	+14.6	+ 9.4	272.1
1947	196.2	+27.1	+16.0	269.8
1948	218.8	+22.6	+11.5	258.0
1949	228.1	+ 9.3	+ 4.3	236.1
1950	267.1	+39.0	+17.1	266.4
1951	300.5	+33.4	+12.5	270.2
1952	333.2	+32.7	+10.9	279.3
1953	357.4	+24.2	+ 7.3	289.3
‡1954	381.4	+24.0	---	292.3

*Private plus state and municipal.
†The Department of Commerce figure on net Federal debt omits arbitrarily the huge amount the U. S. owes to the Social Security and other Federal agencies.
‡Tentative estimate.

The Credit Pyramid

Expansion of the debt structure presupposes expansion of the underlying money volume; the two processes go together. In 1953, the volume of outstanding money (deposits and currency) grew by $6.1 billion. This paper-flood occurred in the second half of the year—during the recession. In fact, the money volume contracted in the first half of last year by $2¼ billion, so that the actual increase in the second half amounted to almost $8.4 billion. Which should provide a lesson to such theorists as Senator Paul Douglas, who believes that changes in the money volume automatically determine the price level, even in the short run.

Now then, in the first nine months of this year the volume of money—deposits and currency in circulation—increased "slightly," namely, by $1.6 billion. But at the end of August it was still ahead of the same date of last year by $8 billion, or 4%, while the industrial production index is down some 8%. Evidently, inflating the currency is one business that is not affected by booms and recessions; it goes on and on.

The chief reason for this recent monetary expansion is the fact that bank portfolios have been bolstered with unusual vigor. In the 15 months ending last September—i.e., through the so-called recession period—all banks in the U. S. have added $8.1 billion government bonds and $2.3 billion other securities, plus $4½ billion new loans (mortgage and security loans, etc.) to their portfolios.

The year-to-year credit expansion takes the shape of an inverted pyramid. At the bottom is the increase in the circulating media, largely bank deposits; at the top, the increase in the outstanding debt. The ratio between the two is just about 1 to 5. Or, look at it as of Dec. 31, 1953: total amount of adjusted deposits and currency, $200.3 billion; total ("net") public and private debt, about $635 billion; ratio 1 to 3. The **pyramid** is growing more **top-heavy** every year. Which is another way of saying that the **liquidity reserves** of the economy **are growing** proportionately **thinner** as its **liabilities mount.**

Heading for the Trillion Dollar Debt

The boom is fired by fresh debts. Slowing down their flow, as in 1949 and since 1952, means recession; their liquidation means depression. Note that a deflation, between 1929 and 1938, by $36 billion, or 21%, of the total (non-Federal) debt was accompanied by the greatest depression on record. Must there be again such a wholesale liquidation? Or can we go on—to the trillion, and beyond?

What matters, is not only the size, but also the composition of the debt. Wholesale liquidation is bound to start at the short-term end. Of the national debt, some $120 to $130 billion are maturing or becoming redeemable within one year. We keep "rolling" them over. Well over one-half of all corporate liabilities, $100 billion out of $179.4 billion, is of the short category. So is the bulk of the $58.1 billion non-mortgage debt of the farm, of non-corporate business, and of individuals. Moreover, probably as much as $9 billion out of the $91.3 billion mortgage volume is due as annual instalments. (All data as of the end of 1953.) This perverted timing of maturities bodes ill for the permanence of economic stability—as it did in 1929.

The worst of it is that the short-term portion tends to rise faster than does the volume of long maturities.

The Specter of Il-Liquidity

However, the essential thing is the unrelenting growth of the debt, out of proportion to the increase in the national income. (See table.) This raises the specter of liquidation, which may be tantamount to a depression. Those who argue that no depression can occur due to "built in" anti-cyclical devices, simply imply that liquidation of private debts can be avoided by boosting the national debt—and monetizing it. That is possible, of course, but it brings up the hazards of a run-away inflation.

It is a remarkable fact that while all statistical aspects of our economic growth are being constantly advertised and analyzed, this one, the growth of our indebtedness, is being practically ignored. This writer did not come across a single recent book or major study devoted to this problem — loaded with potential trouble.

Graham Bell Ltd. Stock Offering

Aetna Securities Corp., New York, on Dec. 9 offered publicly 120,000 shares of common stock (par 20 cents) of Graham Bell Limited at $2.50 per share.

It is intended that the net proceeds be used primarily for the development, promotion and production of many new products to be manufactured under a license agreement with The Bettinger Corp., Waltham, Mass., for sale in Canada.

Graham Bell Limited was incorporated in the Province of Ontario, Can., on Sept. 23, 1954 as successor to Graham Bell Enameling Limited, which had been in business since 1946. The corporation's plant and principal offices are located in Streetsville, Ont., Can. Its principal markets are in Canada. The corporation is engaged primarily in the manufacture of porcelain enamel on steel.

Giving effect to present financing, Graham Bell Limited will have outstanding 300,009 shares of common stock.

Walter Fixter to Be J. W. Sparks Partner

PHILADELPHIA, Pa. — Walter D. Fixter will be admitted to partnership in J. S. Sparks & Co.,

Walter D. Fixter

Western Saving Fund Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, Jan. 1. Mr. Fixter is in the firm's municipal bond department.

G. H. Walker to Admit Cadwgan to Partn'rship

PROVIDENCE, R. I. — G. H. Walker & Co., 15 Westminster Street, members of the New York Stock Exchange, on Jan. 1 will admit Gordon E. Cadwgan to partnership. Mr. Cadwgan has been with the firm in Providence for some time in the institutional department.

Two With Barrow, Leary

(Special to The Financial Chronicle)

SHREVEPORT, La. — Raymond R. Flowers and F. L. Norton III have become associated with Barrow, Leary & Co., 515 Market Street.

Belgium Borrowing $50,000,000 On Dual Financing Program

Obtains $30,000,000 via sale of bonds to underwriting group and $20,000,000 loan from World Bank

In an operation, which is the first of its kind, the Kingdom of Belgium is borrowing $50,000 000 in a combined transaction with


Perry E. Hall Eugene R. Black

the investment market and the World Bank. The transaction consists of an offering of $30,000,000 of Belgian bonds by an underwriting group of 71 investment firms headed by Morgan Stanley & Co. and Smith, Barney & Co.; and of a $20,000,000 loan by the World Bank. Announcement of the financing was made jointly in New York on Dec. 14, by the managers for the underwriters and Eugene R. Black, President of the bank.

The borrowing operations were worked out jointly in Belgium by representatives of the underwriters and the bank with officials of the government. Proceeds of the bond issue and the World Bank's loan will be used to finance a part of the costs of five projects which are designed to improve and modernize Belgium's inland waterways and the Port of Antwerp.

The new bond issue is designated as the "Kingdom of Belgium External Loan Bonds," and is dated Dec. 1, 1954. It is divided by maturities as follows: $5,000,000 of three-year 3⅜% bonds, $5,000,000 of four-year 3½% bonds and $5,000,000 of five-year 3⅝% bonds, all being offered at 100%; and $15,000,000 of 10-year sinking Fund 4% bonds, due Dec. 1, 1964, which are being offered at 99½% to yield 4.06%.

The new issue is the first public offering of Belgian bonds in the United States in more than 25 years. It is also the first public offering which any European government has made to obtain new money in the United States since the Netherlands and Norwegian issues in April and May 1947.

The $20 million World Bank loan to Belgium, which is being made concurrently with the bond offering, will have a term of 15 years. Amortization will start on Feb. 15, 1965, shortly after the 10-year bonds of the public issue reach final maturity. Interest on the loan, including the statutory commission of 1%, will be at the rate of 4⅝% per annum. Disbursements on the loan will be made as work goes forward on the projects being financed by it and the new bond issue.

Purpose of Financing

The purpose of the loan and the bond issue is to assist in the financing of five specific projects: one to improve the Port of Antwerp and four for the improvement of the inland waterways of Belgium. A modern and efficient waterway system for cheap transportation is important to the competitive position of Belgian industry in world trade. Some four billion ton-kilometers, or close to one-third of Belgium's domestic and foreign trade are carried by canal barges and the proportion has been growing in recent years. Key canal sections, however, are now fully loaded and the need to increase their capacity is pressing. In general, the objectives of the program are to enable barges of up to 1,350 tons to navigate all trunk canals, to greatly reduce the number of locks that currently delay traffic and, in general, to improve navigability.

The principal project at Antwerp is the completion of the Baudouin Lock, which will be one of the largest in the world, capable of handling four 10,000-ton ships at the same time. This will help avoid delays which ships now encounter upon entering and leaving Antwerp. The port is the second largest in Continental Europe from the point of view of tonnage handled and its efficient operation is vital to the Belgian economy. It owes its position in part to the transportation network connecting it with the interior of the country and to its liaison by water with the Rhine which makes it the natural gateway between the industry of Belgium and the hinterland and foreign countries.

In all, the projects financed will cost 5.9 billion francs ($118 million equivalent), of which the Belgian Government is paying about three-fifths from its own resources. It had spent about 2.1 billion francs ($42 million equivalent) by the end of 1953. The proceeds of the public bond issue and the bank loan will be sufficient to cover almost the entire outlay on the projects for the years 1954-1956 and a further 1.3 billion francs ($22 million equivalent) will remain to be spent on the projects after today's borrowings have been fully utilized.

The Purchase Agreement covering the External Loan bonds and the Loan Agreement with respect to the World Bank borrowings were signed Dec. 14, in the offices of Morgan Stanley & Co. by Baron Silvercruys, Belgian Ambassador to the United States. John M. Young and Burnett Walker, partners of Morgan Stanley & Co. and Smith, Barney & Co. respectively, signed the Purchase Agreement on behalf of the underwriters and Eugene R. Black, President, signed the Loan Agreement for the World Bank. Ambassador Silverscruys, in a press conference paid tribute to the cooperation of the World Bank, without which the issue at the stated rates, could not have been floated.

In addition to the 71 investment firms comprising the nation-wide underwriting group, a substantial portion of the issue will be sold to foreign dealers in Belgium, the Netherlands, Switzerland, Great Britain and other countries. Principal buyers of the bonds are expected to be large commercial banks throughout this country who will be investing for their own portfolio, pension funds, colleges and agencies of foreign banks.

Donald T. Woods Forms Own Firm in Houston

HOUSTON, Texas—Donald T. Woods has formed Woods & Co. with offices in the West Building to engage in a securities business. Mr. Woods was formerly Vice-President of Kramer, Woods & Company in charge of the syndicate department.

Gerson Lublin to Be H. Hentz Co. Partner

On Jan. 1, Gerson D. Lublin will be admitted to partnersip in H. Hentz & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange. Mr. Lublin is Manager of the firm's research department.

IBA GROUP CHAIRMEN

CENTRAL STATES

Thomas W. Evans
Continental Illinois National Bank and Trust Company, Chicago

MICHIGAN

Raymond J. Laude
Goodbody & Co., Detroit

MINNESOTA

Ira D. Owen
Allison-Williams Company, Minneapolis

United Pacific Corp. Official Changes

SEATTLE, Wash. — Keeping pace with the continued growth and expansion of United Pacific Corporation and its constituent


Stanley N. Minor


Harold L. Baird


Lyle F. Wilson

companies, United Pacific Insurance Company and Pacific Northwest Company, a major reorganization of the executive structure of the companies has been approved by the Board of Directors of the parent corporation, it was announced by Ben B. Ehrlichman, the new Chairman of the Board.

Stanley N. Minor has been named President of United Pacific Corporation, Harold L. Baird is the new President of United Pacific Insurance Company, and Lyle F. Wilson becomes President of Pacific Northwest Company.

Mr. Minor has served as Executive Vice-President and Director of the parent company and as an executive officer of both constituent companies since 1936. He has been identified with the investment banking business in this area for the past 30 years.

Harold L. Baird joined the staff of United Pacific Insurance Company in 1930, and has consistently moved forward in the executive ranks. Mr. Baird holds degrees from the University of Montana and from the Harvard School of Business Administration, and is a member of the Board of Overseers of Whitman College. He is also Director of the Puget Sound National Bank and the Tacoma General Hospital, and is active in civic and fraternal affairs both in Tacoma and in Seattle.

Lyle F. Wilson, a graduate of The University of Pennsylvania's Wharton School of Commerce, began his career in investment banking with Ferris & Hardgrove, a predecessor company of Pacific Northwest Company, in Spokane in 1923. A year later he moved to Seattle, where he has resided ever since. For the past nine years he has been an Executive Vice-President of Pacific Northwest Company. He is Co-Chairman of the Legislative Committee of the Investment Bankers Association of America. Mr. Wilson was a member of the Freeholders' Committee which drafted the charter of the City of Seattle, in use since 1946. He is a veteran of World War I, and is active in Seattle's civic and fraternal organizations.

Ben B. Ehrlichman, formerly President of United Pacific Corporation, moves into the newly created position of Chairman of the Board of the parent company, and heads the Executive Committee of both constituent organizations. J. W. Reynolds, who has been President of United Pacific Insurance Company since its inception in 1928, advances to Chairman of the Board. Harold W. Cameron, President of Equity Fund, Incorporated and Executive Vice-President of Pacific Northwest Company, was named a new Vice-President of United Pacific Corporation as was Josef C. Phillips, also an Executive Vice-President of Pacific Northwest Company. Robert E. Daniel becomes an Executive Vice-President of Pacific Northwest Company, having served as Sales Manager of the investment firm for a number of years. Mr. Daniel joined the organization in 1931. Nat S. Rogers continues as Chairman of the Executive Committee of United Pacific Corporation, and Harold M. Nimmons as Secretary-Treasurer. Other principal executives of these companies will remain unchanged.

Los Angeles Bond Club Elects Ryons

LOS ANGELES, Calif.—Joseph L. Ryons, of Lester, Ryons & Co., was elected President of The Bond Club of Los Angeles at a meeting held at the University Club. Lewis J. Whitney, Jr., of Dempsey-Tegeler & Co., was elected Director and Secretary; Deeb E. Peter, of Blyth & Co., Inc., Director and Treasurer; and Warren H. Crowell, of Crowell, Weedon & Co., Director.


Joseph L. Ryons

At the business meeting, Bond Club President Willard G. DeGroot, of Bateman, Eichler & Co., reviewed the Bond Club's activities in the current year, and then formally turned his office over to President-elect Ryons. President Ryons stated that Committee appointments and plans for 1955 are being prepared, and Bond Club activities in the coming year would continue at a high level.

Paine, Webber to Admit Brick & Gardner to Firm

Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange, on Jan. 1 will admit John Brick and George P. Gardner, Jr. to partnership. Mr. Brick is with the syndicate department in the New York office, 25 Broad Street. Mr. Gardner is associated with the Boston office, 24 Federal Street.

Golf and Tennis Tournament Winners at 1954 Investment Bankers Assn. Convention

GOLF

Alden H. Little Trophy—Men:
1st—William O. Alden, Jr., O'Neal, Alden & Co., Louisville.
2nd—Edward H. Hills, Eldredge & Co., New York.

Seniors Tournament—Low Gross—Men:
1st—R. H. Johnson, R. H. Johnson & Co., New York.
2nd—Albert R. Hughes, Lord, Abbett & Co., New York.

Investment Bankers Association of Canada Trophy—Men:
1st—Jerome H. P. Boucher, Harris, Upham & Co., New York.
2nd—John W. Allyn, A. C. Allyn & Company, Chicago.

Robert E. Christie Memorial Tourney—Men:
1st—Wm. Russell Barrow, Barrow, Leary & Co., Shreveport.
2nd—Hugh D. Carter, Jr., Courts & Co., Atlanta.

18 Hole Handicap—(First Day)—Men:
1st—Elvin K. Popper, I. M. Simon & Co., St. Louis.
2nd—Edward J. Costigan, Edward D. Jones & Co., St. Louis.

18 Hole Handicap—(Second Day)—Men:
1st—W. Neal Fulkerson, Jr., Bankers Trust Company, New York.
2nd—George Mathison, Milwaukee Sentinel, Milwaukee.

Mixed Foursomes—
1st—Mr. & Mrs. Charles M. Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh.
2nd—Mr. & Mrs. H. Virgil Sherrill, Shields & Company, New York.

Kickers—Men:
Charles S. Werner, Wertheim & Co., New York.

Kickers—Ladies:
Mrs. Morris Lloyd

18 Hole Tourney—Ladies:
1st—Low Gross:
Mrs. David B. McElroy, J. P. Morgan & Co., New York.
2nd—Low Gross:
Mrs. Charles H. Thieriot, Jr., Carlisle & Jacquelin, New York.
1st—Low Net:
Mrs. Robert W. Thornburgh, The W. C. Thornburgh Company, Cincinnati.
2nd—Low Net:
Mrs. Karl D. Pettit, Sr., Knickerbocker Shares, New York.

18 Holes (Second Day)—Ladies:
1st—Low Gross:
Mrs. C. Newbold Taylor, W. H. Newbold's Son & Co., Philadelphia.
2nd—Low Gross:
Mrs. F. Brian Reuter, Mellon National Bank, Pittsburgh.
1st—Low Net:
Mrs. V. Theodore Low, Bear, Stearns & Co., New York.
2nd—Low Net:
Mrs. William D. Byrne, Byrne & Phelps, New York.

* * * * *

Set of Clubs—Bag and Umbrella—Won By:
Arnold Tschudy, Bank of America, New York.

Set of Armour Matched Irons—Won By:
J. J. Lee, W. E. Hutton & Co., New York.

Set of Matched Woods—Won By:
L. Walter Dempsey, B. J. Van Ingen & Co., New York.

TENNIS

Finals—Mixed Doubles Tennis Tournament:
1st—Mr. & Mrs. Richard A. Buck, Putnam Fund Distributors, Boston.
2nd—Mrs. Robert W. Ewing and Mr. Jack R. Staples (A. E. Masten & Company, Wheeling, and Fulton, Reid & Co., Cleveland, respectively).

Finals—Men's Doubles Tennis Tournament:
1st—Wilbur E. Hess, Fridley & Hess, Houston; John W. Kriet, Dewar, Robertson & Pancoast, San Antonio.
2nd—Henry L. Valentine, Davenport & Co., Richmond; Wallace C. Latour, Merrill Lynch, Pierce, Fenner & Beane, New York.

Public Utility Securities

By OWEN ELY

Jamaica Water Supply Company

Jamaica Water Supply furnishes water to an area of about 40 square miles, mainly in the Borough of Queens, and partly in Nassau County, with an estimated population of 525,000. The New York City area includes Jamaica, Kew Gardens, Floral Park, St. Albans and a number of other suburban sections which are part of Greater New York. In Nassau County the company serves Floral Park, Stewart Manor, New Hyde Park, Bellerose and parts of Garden City and Hempstead.

The company was incorporated in 1887 and its corporate existence had been extended to the year 2050. The entire water supply (considered ample for area needs) is normally obtained from the company's own wells, with additional water obtained in the summer from the City of New York on an exchange basis.

The population has increased by almost a third in the past decade (it is expected to continue growing at an annual rate of 3%), and the company's revenues have increased in every year of the past decade, about doubling during the period.

The company obtains its water supply from 66 electrically operated wells, located throughout the territory and ranging in depth from 60 to 737 feet (8 to 26 inches in diameter), with a capacity of 85 million gallons a day. The company has storage facilities (steel and concrete storage tanks) with a capacity of 22 million gallons. Over 6,000 tests and analyses of water are made yearly to insure the purity and quality of the water.

The company has 106,166 active accounts, 97,614 of which are residential unmetered customers residing in one- or two-family homes, and 8,552 of which are commercial metered customers, consisting principally of small stores and apartment houses and several large industrial users. Since 1945, the number of customers has increased 19,813, and in the opinion of the management, this increase will continue for several years to come.

A residential unmetered customer pays the company an average of $31.25 per year for unlimited water service, and uses an average of 105,000 gallons of water annually, making the average rate about 30c per thousand gallons. Commercial customers, all metered, pay an average rate of about 26 cents.

A recent study indicated that although the company has been in existence since 1887, the overall dollar average age of the physical property is less than 16 years. The reserve for depreciation of water plant is in excess of 18%.

In the latter part of 1953 the company applied for an increase in rates and since it was able to prove that the proposed rates would earn only a fair rate of return, the commission permitted them to become effective Feb. 15, subject to further review as to the final effect on earnings.

Despite the local character of the enterprise the 170,000 shares of common stock are owned by stockholders located in 33 states and Canada. Prior to 1939 the stock was all held by the late Warren Leslie, and 18% of it is still held by his family and relatives.

In 1953 the company set up a Public Relations Department, and according to President Hennessy "our standing with the press, with our consumers, with organized community groups and municipal officials has shown marked improvement. The rate increase granted the company last February was presented to the public in a way which gained a remarkable degree of acceptance. Excellent consumer cooperation was obtained, for the first time this year, in limiting the use of water for lawn sprinkling and gardening. This as you probably know, is the principal factor leading to the summer-time peak load problems which plague most water companies in this part of the country." There was no water shortage this year and the company received no complaints about pressure or service.

The company has issued a number of educational leaflets for customers, including one on the "Secret of Success for Lawns and Gardens," which gives practical instructions on the care of lawns, shrubs, trees etc., not only as to watering, but also feeding, fertilizing, etc.

The stock is currently selling around 38 and pays $1.80 to yield about 4.7%. Earnings for the 12 months ended Sept. 30 were $2.82 making the price-earnings ratio 13.5. Dividend payout is only about 64%.

Year End. Dec. 31	Revs. Mills.	—Common Stock Record— Earns.	Divi.	Range*
1954	--	--	$1.80	38 -30⅝
1953	$3.88	$2.83	1.80	32 -28
1952	3.81	3.09	1.50	28¾-22
1951	3.22	2.08	1.50	23⅞-21
1950	2.78	2.00	1.50	24 -20
1949	2.44	1.16	.37½	28½-15
1948	2.16	2.21	2.00	34 -27
1947	2.12	2.70	2.00	37 -32
1946	2.03	2.77	2.00	41½-35½
1945	1.95	2.69	2.00	39½-34¾
1944	1.94	2.77	2.00	35½-29
1943	1.89	2.77	2.00	29½-23½

* Over-counter (1954 high approximate).

SEC Expects Capital Expenditures to Stay at High Level

Reports, however, in 1955 first quarter, expenditures for plant and equipment of U. S. business will be somewhat below the average of 1954.

Expenditures for new plant and equipment will continue at a high rate in the first quarter of 1955, although somewhat below the average for the year 1954. According to the latest survey made in November by the Securities and Exchange Commission and the Department of Commerce, investment in early 1955 is planned by business at a seasonally adjusted annual rate of $26 billion.

According to the survey, actual fixed investment in the third quarter was at a seasonally adjusted annual rate of $27 billion, while the fourth quarter is expected to total $26.6 billion. Both of these figures are slightly higher than the anticipated outlays as reported by businessmen last August.

Manufacturing investment has shown a downward tendency during 1954 and for the entire year is expected to exceed $11 billion. Manufacturing companies anticipate that this trend will continue into the first part of the coming year. Electric and gas utilities have scheduled some reduction early next year from their 1954 construction programs. Railroads, on the other hand, expect some pickup from their low fourth quarter rate. Spending by trade, communication and nonrail transportation companies is expected to remain comparatively steady at high rates through the first quarter.

Manufacturing Industry Trends

After allowance for seasonal variations, expenditures by durable-goods manufacturers continued their downward trend through the final quarter of this year, and then show comparatively little change in the first three months of next year. Outlays by durable-goods producers are scheduled at a seasonally adjusted annual rate of $5 billion in the first quarter of 1955 as compared with $5.5 billion in the first quarter of 1954.

Examination of the investment trend of individual industries shows that producers of machinery, and stone, clay and glass expect to spend fully as much in early months of next year as they did in the first three months of this year. Transportation equipment companies also expect to exceed their year-ago spending in the first quarter of next year—although the increase is due entirely to nonautomotive equipment producers. First quarter programs of primary iron and steel and nonferrous metals companies are substantially below actual capital outlays in the opening quarter of this year.

In the nondurable goods sector, plant and equipment expenditures are expected to total $5.8 billion at seasonally adjusted annual rates in the first quarter of 1955. This compares with $6.4 billion in the first quarter of this year and $6.1 billion in each of the following three-quarters. Petroleum is the only major nondurable goods industry to indicate a rise in the rate of capital outlays from the first quarter of this year to the first quarter of 1955. Producers of food and beverages and textiles expect to spend appreciably less in the first quarter of next year. A smaller decline during this period is anticipated by the paper and rubber industries.

Nonmanufacturing Investment

Investment by nonmanufacturing industries in the aggregate has held up well this year. If fourth quarter plans are realized, outlays in 1954 will total $15½ billion as compared with the 1953 total of $16 billion. Programs for the first quarter are scheduled at a seasonally adjusted annual rate of $15.2 billion, with increases in railroad and commercial investment offsetting declines in mining and public utilities.

Railroads cut their investment outlays sharply this year, but the latest survey indicates a halting of the declining trend in this industry. Spending in the fourth quarter has been lower than at any time in the past eight years but a rise of almost 20% is being planned in the first quarter, probably reflecting the recent improvement in railroad income. The pickup centers mainly in railroad equipment, which has been cut back severely over the past year.

Investment programs of the public utilities show a 7% drop between the fourth and first quarters, after seasonal adjustment. Expenditures by the electric utilities have been extremely stable in 1954 but gas company outlays fell off considerably through the year and projected first quarter outlays are well below the 1954 average.

Samuel, Kerby Co. Opens

Samuel, Kerby & Co. has been formed with offices at 149 Broadway, New York City to engage in the securities business. J. Erwin Samuel is a principal of the firm.

Frederick Stafford Opens

Frederick Stafford is engaging in a securities business from offices at 745 Fifth Avenue, New York City.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—George Bigalke has joined the staff of Minneapolis Associates, Rand Tower.

IBA GROUP CHAIRMEN

WESTERN PENNSYLVANIA

C. McK. Lynch, Jr.
Moore, Leonard & Lynch, Pittsburgh

NORTHERN OHIO

Herman J. Sheedy
McDonald & Company, Cleveland

OHIO VALLEY

P. M. Conway
The Bankers Bond Co., Inc., Louisville, Ky.

Continued from page 5

The State of Trade and Industry

the postwar weekly high in car volume hit in the prior week (34,287) as it looked for 34,200 units, compared to 34,400 for Chevrolet the past week.

Cadillac was heading for a record high with last week's program set at 3,150 units, compared to a peak of 3,117 the week previous.

Thus far in 1954, United States plants have turned out 5,109,202 cars and 965,331 trucks, compared to 5,901,935 and 1,141,367 in the like 1953 period.

Steel Output Scheduled To Show Mild Decline This Week

Relatively high level steel operations above 80% appear assured through the first quarter of next year, says "Steel," the weekly magazine of metalworking, the current week.

Orders are piling up on steel mill books as consumer pressure for tonnage rises in step with lengthening deliveries. The immediate outlook is for some slowing down in buying and operations over the Christmas holidays. But, despite this seasonal slackening, expectations are December output may equal, possibly surpass, November's, which was the first 8,000,000 ton production month in a year.

There is no getting around the fact the current bulge in steel demand stems largely from resumption of large-scale automobile production. The more autos produced the more steel consumed. And since the automotive industry provides the largest single outlet for steel, it follows that should the new models being introduced catch on in a big way, strong demand for finished steel products of all kinds will be assured through the first half of next year, says this trade magazine.

At the same time, however, while automotive buying is a towering factor of strength, it does not necessarily follow a healthy market in steel is a certainty over coming months. In fact, if there is any weak point in the present situation, it is imbalance in requirements among consumption outlets and mill product mix.

Such consuming lines as appliances have been buying steel on a rising scale over recent weeks. But while some of this demand mirrors better order situations of these consumers, a substantial portion of it is "scare" buying arising from lengthening deliveries in the face of depleted inventories. In some cases this is leading to the placing of tonnage with mills beyond requirements in sight, lending to a build-up of backlogs that could wash out quickly in event demand for the new model autos fails to come up to expectations — or hopes concludes "Steel."

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 81.5% of capacity for the week beginning Dec. 13, 1954, equivalent to 1,944,000 tons of ingots and steel for castings as compared with 82.1% (revised) and 1,958,000 tons 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 79.3% and production 1,892,000 tons. A year ago the actual weekly production was placed at 1,900,000 tons or 84.3%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,473 tons as of Jan. 1, 1953.

Electric Output Extends Gains to Attain a New All-Time High Record the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 11, 1954, was estimated at 9,846,000,000 kwh., a new all-time high record, according to the Edison Electric Institute. The above figure represented a fresh all-time high record for the second consecutive week.

This week's output constituted an increase of 234,000,000 kwh. above that of the previous week and an increase of 1,185,000,000 kwh., or 13.7% over the comparable 1953 week and 1,706,000,000 kwh. over the like week in 1952.

Car Holdings Rise 13.4% in Post Holiday Week

Loadings of revenue freight for the week ended Dec. 4, 1954, increased 78,282 cars or 13.4% above the preceding holiday week, according to the Association of American Railroads.

Loadings totaled 661,797 cars, a decrease of 229 cars or 0.03% below the corresponding 1953 week, and a decrease of 57,527 cars or 8% below the corresponding week in 1952.

U. S. Auto Output Touches Highest Point Since Week Ended May 2, 1953

The automobile industry for the latest week, ended Dec. 10, 1954, according to "Ward's Automotive Reports," assembled an estimated 171,588 cars and trucks, compared with 166,715 (revised) in the previous week. The past week's production total of cars and trucks represented an increase of 3.7% above the previous week and was the highest since that ending May 2, 1953, when 172,706 units were turned out.

"Ward's" estimated Canadian plants turned out 3,804 cars and 692 trucks last week.

Business Failures Turn Slightly Upward

Commercial and industrial failures edged up to 223 in the week ended Dec. 9 from 221 in the preceding week, Dun & Bradstreet, Inc., report. Casualties were only slightly heavier than a year ago when 216 occurred, but they exceeded considerably the 1952 toll of 157 for the similar week. However, mortality remained 25% below the prewar level of 297 in 1939.

Failures with liabilities of $5,000 or more dipped to 189 from 190 last week, yet continued above the 180 of this size recorded a year ago. While small casualties, those involving liabilities under $5,000, increased slightly to 34 from 31 in the previous week, they were not quite as numerous as in 1953 when their toll was 36. Seventeen of the failing businesses had liabilities in excess of $100,000, as compared with 13 a week ago.

Wholesaling, construction and commercial service had heavier mortality during the week, with the toll among wholesalers up to 30 from 21, among construction contractors to 37 from 23 and among service concerns to 23 from 16. Meanwhile, manufacturing failures fell sharply to 35 from 55 and retailing dipped to 98 from 106. Neither manufacturing nor retailing had as many casualties as last year, but more businesses succumbed than a year ago in all other lines. The most notable upturn from the 1953 level appeared in wholesale trade.

Geographically, most of the week's mild increase came from the Middle Atlantic States where the toll rose to 69 from 57. Small upturns were reported in the New England, West North Central and East South Central States. On the other hand, mortality was lower in the Pacific States where the toll declined to 67 from 80 and the East North Central with a dip to 29 from 32. Casualties exceeded or equaled the 1953 level in five of the nine major regions, while other regions showed mild decreases from a year ago.

Wholesale Food Price Index Trends Slightly Downward In Latest Week

Following the steadying movement of last week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., eased off slightly the past week to stand at $6.83 on Dec. 7. This compared with $6.85 a week earlier, and marked a rise of 2.7% over the $6.65 of a year ago.

Individual price advances last week included flour, wheat, rye, hams, lard, butter, tea, steers and lambs. Declines occurred in corn, oats, barley, milk, coffee, cottonseed oil, cocoa, eggs, raisins, currants 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 Registers Mild Decline for Week But Higher Than Like Period A Year Ago

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued in a narrow range last week at slightly below the level of the previous week. The index finished at 277.83 on Dec. 7, comparing with 278.02 a week earlier and with 276.07 on the corresponding date last year.

Grain markets in the week just ended continued irregular with most grains encountering considerable liquidation during the period.

Corn prices held up fairly well under the selling pressure. Helping to sustain values in the yellow cereal were reduced country offerings, colder weather in the livestock feeding belt and export business with Great Britain, Holland and Austria. The oats market was dull. Prices were weak at times but developed a steadier tone late in the week. Export inquiry for rye was disappointingly slow. Despite active flour buying early in the week, wheat met with heavy liquidating sales and prices reacted sharply from recently established new highs for the season.

Trading in grain and soybean futures on the Chicago Board of Trade increased sharply over the previous holiday week, but were smaller than the corresponding week a year ago.

Flour prices moved moderately higher the past week. Business in the domestic market was quiet at the week-end following substantial purchases of both Winter and Spring wheat flours during the first part of the week, as buyers, both large and small, covered the greater part of their requirements for the next 60 to 90 days. Export trade in flour remained small.

Cocoa prices were somewhat steadier following recent sharp declines. Buying by both manufacturers and importers in this country was quiet in sympathy with the trend in the London market.

Warehouse stocks of cocoa were up slightly to 89,221 bags, from 87,437 last week and compared with 54,546 bags a year ago.

Spot coffee prices worked lower last week, with roasters showing little interest in anticipating their needs. Business in the actual market was quiet as many buyers attended the annual convention of the industry in Florida the week before. Lard was irregular and slightly higher at the close aided by the unexpectedly small increase in lard stocks reported during November.

Market receipts of hogs continued in liberal volume. Hog values turned firmer at the close after selling at new lows for nearly two years.

Cotton prices trended downward throughout the week. The main bearish influence was the belief held by many traders that the next government crop forecast would show a marked increase over the Nov. 1 prediction of 13,206,000 bales. Private estimates as of Dec. 1 indicated a yield of between 13,259,000 to 13,503,000 bales. Other factors in the downturn were reports of sluggishness in textiles and a reduction in the rate of government loan entries. The outlook for exports continued bright with moderate amounts reported sold to Japan, France, West Germany and Spain. Reported sales of the staple in the 14 spot markets continued in good volume.

Trade Volume Rises In Latest Week But Holds Unchanged From Like Period A Year Ago

Consumers increased their purchases in the period ended Wednesday of last week as the holiday season approached, but retail volume was unchanged from a year ago.

December's total shopping is expected to be greater than last year's and close to the all-time high of 1952.

Extensive promotion last week brought many shoppers from suburban stores into downtown centers; however, department stores did not show as significant sales gains as did specialty shops. Night openings were widespread.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 2% below to 2% above the level of a year ago. Regional estimates varied from the corresponding 1953 levels by the following percentages: Midwest —2 to —6; New England 0 to —4; Pacific Coast —3 to +1; East, Southwest and Northwest 0 to +4 and South +1 to +5.

December's apparel sales are always heavy, and the first week of the month ran true to form. Holiday dresses, furs, accessories and coats sold well, and the demand for children's wear approached a seasonal high. Men's apparel, excepting shoes, was not so popular as in the previous week. The buying of gifts, sports equipment and furniture was at a higher level than last week and slightly above a year ago.

While the demand for small appliances was heavy, that for major appliances slackened. Television sales continued to soar.

Food stores increased their sales volume slightly last week as housewives began preparations for festivities in the coming weeks. As in the past year, total retail food buying was considerably higher than a year ago.

Automobile purchases were at the same high level of last week and while some dealers sold new models at discount prices, the discounts were considerably smaller than those made on new models at this time last year. Dealers offered easier credit terms than a year ago.

Increasing optimism of the business community was reflected in healthy wholesale buying in the period ended on Wednesday of last week.

Orders in most major lines were equal to or above those of the preceding week and retailers were generally more disposed to building substantial inventories than last year at this time.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 4, 1954 advanced 1% from the like period last year. In the preceding week, Nov. 27, 1954, no change was registered from that of the similar period in 1953, and the same held true for the four weeks ended Dec. 4, 1954. For the period Jan. 1 to Dec. 4, 1954, a loss of 1% was registered from that of the 1953 period.

Retail trade volume in New York City last week advanced more than 10% ahead of the similar period in 1953 as a result of cold weather and unusually heavy promotions, trade observers report.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Dec. 4, 1954, registered an increase of 1% above the like period of last year. In the preceding week, Nov. 27, 1954, an increase of 2% was reported from that of the similar week in 1953, while for the four weeks ended Dec. 4, 1954, an increase of 1% was reported. For the period Jan. 1 to Dec. 4, 1954, the index advanced 1% from that of the 1953 period.

With Bosworth, Sullivan

(Special to The Financial Chronicle)

DENVER, Colo. — Robert R. Chatlain is now with Bosworth, Sullivan & Co., Inc., 660 Seventeenth Street.

Fidelity Secs. Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Hyman P. Silverman has been added to the staff of Fidelity Securities Co., First National Bank Building.

Joins Ross, Borton Co.

(Special to The Financial Chronicle)

CLEVELAND, O.—William M. Johansen is now with Ross, Borton & Simon, The 1010 Euclid Bldg.

IBA GROUP CHAIRMEN

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ROCKY MOUNTAIN

O. Jerry Jorgenson
Peters, Writer & Christensen, Inc., Denver

PACIFIC NORTHWEST

John J. Hasfurther
Blyth & Co., Inc., Spokane, Wash.

Robert Gardiner to Be Reynolds Partner

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on January 1 will admit Robert M. Gardiner to partnership. Mr. Gardiner is manager of the syndicate department.

Joins Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John D. Lynch has become affiliated with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges.

A Point for You

Bill Mannheimer out in St. Paul
Will give you a pen if you call
But he rings up the till
When you want a refill
Which he'll sell you—or give, if
you stall.

———

(William Mannheimer, Mannheimer-Egan, Inc., First National Bank Building, St. Paul.)

With W. G. Nielsen Co.

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — Grover C. Fillbach has joined the staff of W. G. Nielsen Co., 3607 West Magnolia Boulevard. He was previously with King Merritt & Co.

Continued from page 15

The SEC, the Congress and The Securities Industry

the Securities Act and the Exchange Act of disseminating broadly to the public information about securities being issued and traded. The amendments, in the words of the Senate Committee, will also "reduce unnecessary delay, expense and complexity and result in more efficient, effective and realistic operation of these acts." [7] And, in the words of the House Committee, "The amendments . . . fully preserve the basic philosophy and purposes of these acts." [8]

I will now describe in more detail the provisions of these 1954 amendments of the Federal securities laws. The first of these amendments will permit wider use of offering prospectuses for new issues of securities, particularly short form prospectuses, and greater use of newspaper advertisements, particularly during the so-called waiting period after the registration statement has been filed with the Commission but before it has become effective. This period normally is about 20 days. The amendment should make it easier for investors all over the country to invest in new issues of securities whose distribution has up to now tended to be concentrated in a few cities having large capital markets. Briefly, here is how the amendment changes the law.

The good result produced by the Securities Act came in great measure from the fact that the issuer and the underwriter must come forward and make a public statement concerning the issuer's business, its finances, its securities, and the proposed offering, and all of this under stern statutory liabilities both penal and civil. This requirement of disclosure is itself a substantial deterent to transactions which would not stand the light of day. The imposition of liability for inaccurate and incomplete information and the administrative processing by the Commission of material filed with it have improved corporate morality, accounting standards, and standards relating to business information generally.

The Securities Act before the 1954 amendments made unlawful the offer or sale of a security to the public by the mails or the instrumentalities of interstate commerce, such as the interstate telephone, until the registration statement with respect to the security has been filed with the Commission and become effective. Oral offers prior to effectiveness were not made unlawful, that is, oral offers within the state. The seller of the securities must deliver to the purchaser a prospectus containing a summary of the information in the registration statement.

It is clear from the legislative history of the Securities Act that the Congress intended that by dissemination of information during the 20-day waiting period the public would become informed of the essential facts relating to a proposed issue of new securities before the effective date of the registration statement.[9] However, the securities industry had contended for many years that the free flow of information concerning a new issue was, in fact, restricted because of the fear of issuers, underwriters, and dealers, not to mention their lawyers, that communications to prospective purchasers might be construed to be illegal offers of the security before the effective date of the registration statement. In formulating the 1954 amendment, the Congressional committees recognized that the distinction between "dissemination of information" and "offers" is difficult to draw and still more difficult for a customer to appreciate, and the Commission has been concerned over the years because the objective of a widespread dissemination of information during the waiting period had not been more effectively achieved.[10] Accordingly, under the Securities Act, as amended in 1954, written offers to sell, and solicitations of offers to buy during the waiting period are permissible, provided such offers are made by means of a preliminary prospectus filed with the Commission prior to its use. The long standing prohibition against the making of an actual sale or contract of sale prior to the effective date of the registration statement is not changed by this amendment. Issuers, underwriters and dealers will have to regulate their conduct during the waiting period so as not to make contracts of sale before the registration statement becomes effective.

It must be apparent from what I have just stated, that the 1954 amendments do not work any fundamental change. In fact, they give specific authority for practices which have developed over the years under the present law. And, as I suggested a moment ago, to the extent that the media of information permitted by the amendments will be more widely distributed to the general public a larger segment of the investing public and smaller dealers all over the country will have a greater opportunity to participate in the important process of capital formation.

Furthermore, the amendments provide greater flexibility for the Commission in prescribing the form of prospectus which can be used and give the Commission the power to prescribe rules for short-form summary prospectuses to be used during the waiting period. It was not intended by these amendments, however, to open up the Act so as to permit the use by issuers and underwriters of prospectuses and sale literature during the waiting period which have not been filed with and processed by the Commission. In other words, pre-effective "free-writing" does not flow from the amendments. The Commission is presently engaged in drafting new rules to implement these provisions of the 1954 amendments and has already received suggestions of industry representatives for such rules. I will refer to these briefly in a few minutes.

As pointed out in the report of the Committee on Interstate and Foreign Commerce of the House of Representatives, the amendments will conform the statute to the present practice, encourage greater dissemination of information by relieving underwriters and dealers of fears connected with pre-effective distribution of written material, will make possible dissemination of more accurate information to the investor than he now generally receives, will not take away any of the protection heretofore afforded investors by the Securities Act of 1933, and will not change the liabilities for statements made or not made in the registration statement and prospectus.[11]

Summary of Amendments

Other technical changes made by these amendments may be summarized as follows:

(1) Reduces from one year to 40 days after distribution of a new issue of securities has been commenced the period during which dealers must deliver prospectuses in trading transactions;

(2) Simplifies the information required in a prospectus used in an offering that lasts more than 13 months;

(3) Reduces from six months to 30 days after distribution of a new issue has been completed the time when a dealer can extend a customer credit on the new securities;

(4) Clarifies the Commission's rule-making authority on "when-issued" trading;

(5) Eliminates from prospectuses summaries of certain trust indenture provisions which have heretofore been required, thus permitting simplified, more readable prospectuses for debt issues; and

(6) Provides simplified procedures for registration of securities of investment companies, the so-called "mutual funds."

So much for legislation. I am sure you realize from what I have said that our relationship with the 83d Congress was fruitful and good.

Other Relations With Congress

There are other areas in which the Congress is involved in practical problems with the Commission. I will discuss two of these briefly.

A number of investigations made by the Commission pursuant to specific statutory authority have led to the enactment of specific legislation. The 1936 amendments to the Exchange Act, the Trust Indenture Act, Chapter X of the Bankruptcy Act, and the Investment Company Act, are examples of legislation flowing from investigations and studies made by the Commission under express statutory mandate. The reports of the Congressional Committees in connection with the 1954 amend-

7 Sen. Rep. No. 1036, 83d Cong., 2d Sess. (1954) p. 2.

8 H. R. Rep. No. 1542, 83d Cong., 2d Sess. (1954) p. 6.

9 H. R. Doc. No. 85, 73d Cong., 1st Sess., (1933) pages 7 & 8.

10 H. R. Rep. No. 1542, 83d Cong., 2d Sess., (1954) pages 7-9; Sen. Rep. No. 1036, 83d Cong., 1d Sess., (1954) pages 2 & 3.

11 H. R. Rep. No. 1542, 83d Cong., 2d Sess., (1954) pages 10-14.

ments are interesting in this connection. This is from the Senate Committee:

"Your committee, in accordance with its responsibilities under section 136 of the Legislative Reorganization Act of 1946, intends to keep itself fully informed concerning any practices developed in the industry, and the procedures devised by the Commission, as a result of these amendments. Your committee expects the Commission, in its periodic reports to the Congress, to advise concerning the steps taken in the implementation of the amendments and its experience under the acts as amended. Your committee also expects that the Commission will advise with it concerning any additional legislative authority deemed necessary to carry out the basic intent of these acts.[12]

The House Committee said this:

"The instant bill represents those areas in which the Commission felt it could concur with the industry and does not include other areas proposed in which the Commission at this time is not willing to recommend legislation. Subsequently the Commission intends to draft further amendments which will incorporate Commission proposals on matters growing out of its experience."[13]

Also, there are very many provisions of the securities laws delegating to the Commission power to make rules and regulations, in some of which from time to time Congressional Committees may take a particular interest. An example is the proposed rule designed to give effect to the so-called "brokerage exemption" provided by Section 4(2) of the Securities Act which I will discuss in detail in a few minutes. Another example is a matter with respect to which Section 9(a)(6) of the Exchange Act gives the Commission rule-making authority, namely "stabilizing." The Subcommittee of the House Interstate and Foreign Commerce Committee, speaking in the direction of "an early promulgation of rules" by the Commission or consideration of further legislation by the Congress, suggested in December 1952 that the subject of stabilizing rules "be given more definitive consideration."[14] And there are a number of sections of the acts we administer, for example Section 23(b) of the Exchange Act, which require the Commission, in its annual report to Congress, to include "such information, data and recommendation for further legislation as [it] may deem advisable with regard to matters within [its] . . . jurisdiction. . . ."

12 Sen. Rep. No. 1036, 83d Cong., 2d Sess., (1954) page 2.

13 H. R. Rep. No. 1542, 83d Cong., 2d Sess., (1954) p. 3.

The Commission exercises some judicial or quasi-judicial power. In this broad classification of judicial and quasi-judicial functions are administrative proceedings in which the Commission enters orders affecting particular individuals or companies. For example, under the Holding Company Act the Commission enters orders permitting applicants or declarants to engage in financing transactions which comply with the standards specified by the Act. Under the Securities Act the Commission enters orders suspending or stopping the sale of a registrant's securities. Under the Exchange Act the Commission enters orders revoking or suspending a broker's or dealer's right to engage in business because of a violation of the Act. Also, the Commission has appellate jurisdiction over certain disciplinary actions of the National Association of Securities Dealers. Without indicating which of these may involve rule-making or licensing functions, with respect to which there may be different procedural safeguards specified by the Administrative Procedure Act, it is clear that cases of the kind I have just mentioned are either judicial or quasi-judicial in nature. The line of demarcation between what is "judicial" and what is "quasi-judicial" is sometimes hard to define and the distinctions among "rule-making," "initial licensing" and "adjudication" involve different procedural consequences under the Administrative Procedure Act.

Turning from the relationship of the Commission to the Congress, to the relationship of the Commission to the securities industry, I will now mention briefly four important rule-making matters in which the industry has an interest and which are presently under active consideration and study at the Commission.

14 H. R. Rep. No. 2508, 82d Cong., 2d Sess., (1952) p. 116.

The first of these is the proposed rules relating to the stabilization of securities under the Exchange Act.

Section 9(a)(6) of the Exchange Act makes it "unlawful for any person, directly or indirectly, by the use of the mails or any means or instrumentality of interstate commerce, or of any facility of any national securities exchange, or for any member of a national securities exchange to effect either alone or with one or more other persons any series of transactions for the purchase and/or sale of any security registered on a national securities exchange for the purpose of pegging, fixing, or stabilizing the price of such security in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors."

Under this provision Regulation X-9A6-1 was adopted in 1940 and is limited to the narrow area of stabilizing the price of a security traded on a national securities exchange to facilitate an offering at the market or at a changing price related to the changing market price. The practice applicable to a fixed price offering has been embodied in a number of interpretations; some of which were contained in releases, but most of them rendered individually by letter or telephone, case by case. Thus the vast bulk of day-to-day stabilizing transactions in connection with new public offerings of securities have not been the subject of any Commission rules, other than the familiar bold face disclosure in the prospectus that stabilizing may occur[15] and the requirement that stabilizing transactions be reported within 24 hours.[16] The Commission's policy in the past was based on the feeling that the problems of stabilizing were so difficult and novel that no comprehensive rule should be promulgated until experience had been built up, case by case, over a period of time, like the common law. This process has taken place.

It is the feeling of the Commission today that the Commission's jurisdiction over stabilizing should be asserted by rules and regulations, published and available for all to see. Accordingly, after 10 months' intensive study by our staff, in May of this year the Commission put out for comment proposed rules X-10B-6, 7 and 8 under the Exchange Act.[17] The first of these deals with underwriters trading prior to and during the distribution. The second covers the times, methods and levels at which stabilizing transactions may be made and the third covers distributions in connection with which the participants purchase rights, such as the so-called "Shields Plan." These draft rules received many and detailed comments by industry representatives in the light of which the Commission held a public hearing in July. Thereafter all those who appeared at that hearing and any others interested were invited to form an ad hoc committee and our staff has had a number of conferences during the summer and fall with this committee. A revision of the draft rules has been completed, taking into consideration all of the comments received. This revision we hope will be again discussed with the Committee within the next few weeks. It is our earnest hope that the rule as now revised will represent sound statutory interpretation and will prove administratively feasible both from the standpoint of the Commission and the securities industry. A number of lawyers, members of this association, have rendered invaluable service in connection with working out the formulation of rules in a field inherently complicated but sensitive and vitally important in the capital formation process.

15 Securities Act Rule 426.

16 Securities Exchange Act Rule X-17A-2.

17 Securities and Exchange Act Release No. 5040.

The second rule revision which is of importance to the securities industry which the Commission has under consideration is our so-called Rule 154 under the Securities Act which gives life and body to the brokerage exemption provided by Section 4(2) of the Securities Act. Section 4(2) of the Securities Act exempts from the registration and prospectuses requirements of the Act "brokers' transactions, executed upon customers' orders, on any exchange or in the open or counter market, but not the solicitation of such orders."

In the legislative proposals which I referred to earlier was included a proposed amendment of the Securities Act intended to "restore" the brokers exemption provided in Section 4(2) "so as to give relief from the popular interpretation of the opinion of the Commission in the case of Ira Haupt & Company (23 SEC 589 (1946))".[18] The Senate Committee however, did not include an amendment of Section 4(2) in its bill. The Committee report contains this comment:

"Your committee has been advised by the SEC and by representatives of the securities industry that an amendment to Section 4(2) of the act, which affords an exemption for certain brokerage transactions, has been suggested so as to give relief from the popular interpretation of the opinion of the Commission in the case of **Ira Haupt & Co.** (23 SEC 589 (1946)). Your committee is hopeful that the SEC will give favorable consideration to a rule which will deal effectively with the problem and understands that the SEC has such a rule under consideration."[19]

18 Senate Hearings, p. 4; House Hearings, p. 14.

After much study during the winter and early spring, in May the Commission put out for comment a proposed amendment which was designed to make clear that the availability of an exemption under Section 4(2) does not turn solely upon the question whether the selling stockholder is a controlling person but involves also a determination whether such controlling person, to the actual or constructive knowledge of the broker, is effecting a distribution of his holdings.[20] For the purpose of the rule, distribution is defined as not applying to isolated sales by controlling persons in amounts not substantial in relation to the aggregate volume of trading in such security.

Once again, many comments were received and in order to bring the matter to a head, the Commission held a public hearing in July. After carefully considering all the views, suggestions

Continued on page 114

19 Sen. Rep. No. 1036, 83d Cong., 2d Sess., (1954) page 7.

20 Securities Act Release No. 3501.

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The SEC, the Congress and The Securities Industry

and comments which had been submitted, the Commission put out for comment in September a further revision of the proposed rule.[21] This varied from the first proposal. In order to provide a ready guide for routine cases involving trading as distinguished from distributing transactions, the term "distribution" was further defined as not including a sale or series of sales of securities by the controlling person, which together with all other sales on his behalf of securities of the same class within any six-month period, will not exceed approximately 1% of the outstanding shares of the security, in the case of a security which is not traded on an exchange and with respect to a security which is admitted to trading on an exchange, the lesser of either 1% of the outstanding securities of the class or the aggregate reported volume of trading during any one week within the preceding four trading weeks.

These percentages and trading volumes were based upon very careful studies made by our Division of Corporation Finance as to the amount of securities which, in the light of the Division's experience over the years, appeared not to represent distributions by controlling persons. There was no intent on our part to give these figures any more emphasis than a rule of thumb or a guide which a trader in a brokerage house could use before making a transaction for a controlling person in order to test if the brokerage exemption was available or a distribution was involved. Regardless of these figures, it would be perfectly open to the broker or the controlling person to seek advice of counsel to ask for an interpretative opinion of the Commission as to whether in any given case the brokerage exemption was available or a distribution was involved.

Notwithstanding the long, earnest and sincere effort on the part of the Commission to solve what has been a long standing problem in the industry, the Commission still faces a number of objections to this solution of the problem. Representatives of national securities exchanges have taken the position that the exemption provided by Section 4(2) for brokerage transactions should be applied regardless of whether distribution by a controlling person is involved. If the Commission were to agree to this position today, it would mean over-ruling the decision of the Commission in the **Ira Haupt & Co.** case,[22] decided in 1946, which followed many administrative precedents of the Commission over the years. Secondly, the exchanges have taken the position that to provide in the case of listed securities a rule of thumb which depends upon the aggregate trading volume over a week's time is to discriminate against listed securities in favor of securities traded on the over-the-counter market. No discrimination is intended. The failure of the proposed rule of thumb to include for over-the-counter securities a test based on reported volume of trading recognizes two facts. First, in very few of the cases in which the Commission has been called upon to render interpretative opinions in the last 20 years have over-the-counter transactions been involved. Perhaps this is because in the over-the-counter market dealers tend to trade as principals rather than as agents and often there is solicitation of the "buy" order. Second, there are no reports of trading volumes in over-the-counter securities.

One of the regional exchanges also feels that a limitation to one week's trading may work an undue hardship on small local issues in which there is comparatively little trading. In the light of expressed objections of industry groups, we are still studying the whole problem intensely. The Commission sincerely hopes to be able to promulgate a rule which will satisfactorily deal with the problem as it is faced by the men at the trading desks in the great bulk of day-by-day trading transactions. We cannot, of course, promulgate a rule that will chip away or erode the basic legal principles affecting distribution by controlling persons. For the long range, it is possible that this problem may have to be dealt with by the Congress.

Listed Companies' Reports

Next, I would like to discuss briefly the requirement, which we abolished in the fall of 1953, that listed companies file quarterly reports of gross sales or operating revenues, the so-called 9-K report. Many times the trend of a corporation's quarterly gross sales is contrary to its net earnings trend. Recently, this has been understudy at the Commission because of objections by the financial analysts' societies to abolition of the quarterly report requirement. Consideration is being given by our staff to the problems which would arise if a new interim reporting requirement should be adopted. I think I should say to you, in line with the over-all policy of the present national Administration, unless a case can be made out that the American investor is not being adequately protected by the present annual and interim reporting requirements of the Commission, certainly a real question is presented whether the Commission should require listed companies to file an additional report.

So far as the accounting profession is concerned, there appears to be serious and substantial objection to quarterly reports of earnings. The accountants say, in substance, that you simply can't properly reflect the operations of a company on a quarterly basis—too many things are estimates. Tax accruals, inventories, depreciation, unusual nonrecurring expenditures, and the like in some cases might distort a quarterly picture so that a quarterly report could conceivably misinform and mislead, rather than inform, the investor.

Finally, I want to refer briefly to the implementing rules which the Commission is now considering under the 1954 amendments of the Securities Acts. Our staff is working on draft rules, and also has received from industry representatives proposals of theirs. It is hoped that the staff drafts will be ready for Commission consideration soon and that these can be put out for public comment during this month or early January. I am not really in a position to discuss these in detail but I would like to mention one point.

The prospectuses and summary prospectuses provided for by the amendments are to be filed with and processed by the Commission before being released to the public. The amended law does not permit pre-effective "free-writing." This subject was briefed by industry representatives and thoroughly discussed with the Commission when we were advising and consulting with the Congressional Committees in connection with formulation of the bill. The proposal of industry representatives that the Securities Act be amended to permit pre-effective free writing was rejected. A study of the testimony given both by Chairman Demmler of our Commission and various representatives of industry groups will, I think, clearly reflect that there was no misunderstanding on the part either of the Commission or industry that pre-effective free writing was not intended to be permitted in the future any more than it has been in the past.[23]

Finally, I would like to conclude on this note. The Acts of the Congress provide that the function of the Securities and Exchange Commission insofar as the securities industries is concerned is to protect the interest of the public and the investor. The work of the Commission over the past 20 years under these statutes has tremendously improved, and indeed was of enormous influence in restoring investor confidence in the free enterprise system in America. This political and economic system is unique in the world today. It is at one pole of economic and political philosophy. I hardly need to point out that at the other pole lie the socialistic and communistic systems in which the means of production are owned and directed not by the people themselves but by an all-powerful state. The detailed work of the Commission in protecting the interest of the public and the investor in our free economic and political society takes on added importance in the background of the situation in which America stands in the world today. I ask you lawyers who represent issuers, underwriters, brokers, dealers, exchanges and other private interests in this great capital market of New York City to bear this in mind when, in your day-to-day work, you are confronted by the Securities and Exchange Commission and the mandates of the Congress which the Commission is attempting to carry out in the interests of the American public and the American investor.

21 Securities Act Release No. 3515.

22 In the matter of Ira Haupt & Co., 23 SEC 589 (1946).

23 Senate Hearings, pp. 8-31; House Hearings pp. 24, 39, 52, 117.

Clark, Dodge to Admit Evans and Mortimer

Carnot W. Evans

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit Carnot W. Evans and Henry T. Mortimer to partnership. Mr. Evans is Manager of the firm's municipal bond department.

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Looking Ahead in Uranium

known substance that is. A passing neutron from uranium (known as a low energy neutron) could happen to hit the nucleus of an atom of U-235. If it did, it would split this nucleus and high energy neutrons would be cast off. If another atom of U-235 were properly placed in the area, it could be hit by one of these neutrons and in turn split. This fission, when sufficient quantities of other U-235 atoms are properly placed near by, becomes self supporting, and a chain reaction takes place.

From the standpoint of the future of uranium, this factor of properly placing other uranium particles around the U-235 atom which is fissioning is very important. To support a chain reaction there must be a certain amount of uranium present — known as the "critical mass." The amount of this critical mass is a secret, but we know that it is undoubtedly hundreds of times the amount of uranium which actually produces energy.

There are other phases of fission which are of interest. A high energy neutron from a previous fission could, if it hit the nucleus of uranium 238, remain in that nucleus and convert this element into a new synthetic element with the atomic weight 239. This synthetic element is also fissionable. It is called plutonium, and it is chemically different from uranium, which allows a chemical method of separation. This is the basis of the Hanford Plant.

Still another feature of atomic energy is fusion. Here two lighter elements are fused together, and the resulting element has considerably less weight than the sum of the parts. A tremendous amount of energy is produced during fusion.

However, natural fusion does not occur on this earth. It requires the tremendous heat from fission to create fusion. This is the principle of the hydrogen bomb, and uranium (in a bomb) is the trigger for the hydrogen explosion. It is doubtful whether fusion can be harnessed to produce useful energy.

This is not supposed to be a lecture on nuclear physics, but this background is necessary to try to answer your question about the future possibilities of uranium.

We hope that the political philosophy of the peoples in this world will advance in the near future, to the point where there is no need for atomic bombs. At present, this is not true, and the need for uranium is practically unlimited. All the uranium ore than can be mined is being purchased by the government or by companies like Vitro at a fixed price which is something under $5 per pound of uranium contained. The price is guaranteed until 1962. It has been stated that the United States still produces only a small part of the uranium needed by the government for the weapons program. We must assume, however, that by 1962, and barring a major war, the weapons stockpile will be largely complete.

Then what happens after 1962, or after the need for bombs subsides? We read much about isotopes which are a by-product of atomic energy. In the medical world these isotopes are fast becoming a valuable tool. As an example, the Massachusetts General Hospital is investigating the use of the positron emitting isotope, arsenic 74, in locating brain tumors. When this isotope is administered intravenously it concentrates to a certain degree in cancerous tissue. The slightly higher concentration in the tumor mass makes it possible to locate the diseased tissue by the use of special geiger counters. A tremendous number of isotopes produced in the Oak Rdige National Laboratories have been distributed to hospitals and other institutions throughout the United States. Their use is promising.

However, the demand for isotopes would hardly keep one of the smallest uranium mines operating very long. The real answer to the future use of uranium lies in the possibilities of peaceful power production.

Let me review a few of the points previously made:

(1) Only U-235 is naturally fissionable, and it represents less than 1% of the total uranium in our domestic ores.

(2) Fission produces lighter elements and only the difference in weight (which is a comparatively small amount) is converted to energy.

(3) Many times the amount of uranium consumed is required for the critical mass.

These three items emphasize that quite large quantities of uranium will be necessary to harness useful power.

Uranium Demands for Peaceful Use Will Grow

Up until very recently only these facts were available, but, by estimating the increasing power demands for the future, most of us felt that there would be a sizable requirement for uranium after 1962. Last September, at the American Mining Congress in San Francisco, Mr. Jesse Johnson, Director of the Raw Materials Division of the A.E.C., gave us a little more food for conjecture. For the first time an amount was set for the critical mass or inventory. Mr. Johnson stated that the inventory requirement for a reactor with a capacity of one million kilowatts was estimated to be 600 tons of uranium metal. He further stated that assuming a rather inefficient use or burn-up of 2% of the uranium fuel, the annual requirement for one million kilowatts of electricity would be 50 tons of uranium metal. This figure would reduce if higher burn-up could be attained, but such reactors are many years away.

Let's look at our power industry. The present capacity in the United States is approximately 100 million kilowatts. All the rest of the free world has an estimated capacity of about 150 million kilowatts, making a total of 250 million. Conservative estimates are that this will double in less than 15 years, and the growth curve continues steeply upward. How much of this increase will be nuclear power will depend on the economics being developed by the reactors now testing and being built, but reliable estimates have been made that installed *nuclear* power plants will total 250 million kilowatts, or equal todays capacity before 1990.

Applying similar assumptions, but taking the conservative side, Mr. Johnson estimated an annual demand for uranium of 14,000 tons by 1980. If we use higher figures (and many students of power requirements say we should) and if we assume that many thermal fuel plants in high cost fuel areas may be replaced with nuclear plants, a figure of 20,000 tons annual requirement by 1975 to 1980 is not unreasonable.

What does this mean in terms of ore? Twenty-thousand tons of uranium metal represents approximately 24,000 tons of uranium oxide, U(3)O(8). If we are talking in terms of 0.3% ore and we assume 100% recovery, we are talking about an annual demand of 8,000,000 tons of such uranium ore.

The United States is today competing with the free world for first place in uranium ore production. Yet today there are only a dozen or more known ore deposits of over 100,000 tons in this country. There are a very few among these known to contain 1,000,000 tons.

In the above discussion of uranium demand no account has been taken of possible requirements for other energy consumers than electric power. The third atomic submarine reactor is under development today. General Electric, Carbide and Carbon, and United Aircraft are engaged in contracts to develop aircraft nuclear propulsion. Nuclear powered vessels are logical for both Navy and the Merchant Marine.

We should also not forget that, before industry can afford to invest the billions of dollars required for nuclear power plants, a very sizable reserve of fissionable material should be available. For such a program it is estimated that there should be reserves of nuclear fuel sufficient for at least 100 years.

Gentlemen, the infant *will* grow — and it looks like a healthy youth will be with us within 20 years.

Municipal Forum to Hear on NYC Finances

Dr. Luther H. Gulick, City Administrator of the City of New York, will address the Municipal Forum of New York at its next luncheon meeting Friday, Dec. 17, at 12:15 p.m., at the Lawyers Club, 115 Broadway. He will discuss New York City finances under the title "Management Progress and Problems." He is the first member of Mayor Wagner's administration to discuss New York City finances before a Wall Street audience.

A well known authority on problems of municipalities, Dr. Gulick has served as consultant for governmental units of all types. He was Executive Director of the Mayor's Committee on Management Survey during 1950-53, and was appointed City Administration of the City of New York last January.

Anderson & Strudwick Charlottesville Branch

CHARLOTTESVILLE, Va.—Anderson & Strudwick, Richmond investment firm, has opened a branch office at 110 Second Street, Northeast. Groke Mickey is acting Manager.

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With Richard A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—May B. Ryder has become connected with Richard A. Harrison, 2200 Sixteenth Street.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Charles J. Hemmingsen has become associated with Harris, Upham & Co., Mining Exchange Bldg.

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"Social Welfare Plans—Time to Take Soundings"

with the danger of excessive costs. It is they who will really feel its full effects. Security plans must be paid for in future production. Where can the burden fall but on the back of the young worker? The money must come from his payroll and his tax payments, and the inevitable effect is to lower his family's standard of living.

I doubt that many people realize how numerous, elaborate and potentially expensive our existing social welfare plans already are. The average individual thinks only of Social Security. Actually, we have not only a Federal Social Security system paying old-age pensions and income to survivors, but also an extensive Civil Service plan, a Railroad Retirement plan and various special programs for Veterans. We have unemployment compensation; workmen's compensation; disability benefits under veterans' plans and public relief plans; temporary disability benefits for railroad employees, and for employees in general under various State plans; Federal grants to States for public assistance; and National Service Life Insurance for service men and veterans.

The Social Security system, as reorganized in 1939, was intended merely to help prevent destitution in old age. Therefore, payments by an individual were not designed to have much equitable relationship to the benefits received. The benefits were based on presumptive **needs**. The obvious inequities in such a plan were justified by the fact that the purpose was to prevent poverty in old age. In short, Social Security was not conceived as an **insurance** plan.

Now, however, Social Security has grown into a plan providing the equivalent of very substantial insurance and annuity benefits for the bulk of the people, regardless of their needs. Under these circumstances, its inequities become glaringly apparent, and highly important to both the individual and the country as a whole.

Most people do not realize how much Social Security pays in relation to private life insurance programs. For example, if a man dies at age 35, leaving a wife age 35 and three children, ages 10, 8 and 3, the survivorship benefits paid to his family under Social Security total nearly $44 thousand. If the man and his wife both live to age 75, their old-age benefits will total about $20 thousand. This is the equivalent of a program of insurance and retirement income that is very large in relation to what might be a family income of $4 thousand.

The survivor benefits payable under Social Security are equivalent to about $350 billion of life insurance or $16 billion more than the total of private life insurance in force. National Service Life Insurance, which is subsidized by the taxpayers, totals another $40 billion. Yet, the cost of carrying the gigantic total of Social Security survivorship benefits is only about one-third of the cost involved in carrying the old-age benefits.

Social Security, of course, is not operated on a "reserve basis" comparable to the private life insurance system; and I do not contend that it should be. There is some "reserve"—about $20 billion, which is called the Trust Fund. But if the system were disbanded today, and all benefits paid on wage credits already accumulated, with partial benefits to those who do not yet have a fully insured status, it is estimated that the liability for past service for those presently covered would be about $250 billion more than is now in the Trust Fund. The recent 1954 amendments to Social Security increased this figure from about $200 billion to about $250 billion.

This very large requirement, which is only slightly less than the total Federal debt, can be made good in several different ways. One method—already provided in the law—is to increase future Social Security taxes. But it is doubtful that the taxes provided in the present law will be enough to do the job. Another method of ultimately making good the present deficiency would be through a Federal subsidy. This in turn would require either an increase in general taxes and a diversion of them to Social Security purposes, or deficit financing which would constitute a charge against future generations. Except for these methods, the only other apparent solution to the problem of insufficient Social Security reserves would be for Congress to reduce the benefits payable under Social Security.

The inability of the Government to put Social Security reserve funds to productive use is another disquieting element in the picture. Life insurance reserves are invested principally in productive private enterprises, which produce income on the sums so invested and wages to support our future beneficiaries and annuitants. Such investments in private industry provide a great dynamic factor in the country's economy.

But Social Security reserves are quite different. The Social Security taxes paid by workers and employers are spent for the general purposes of the Government, just as other tax revenues are; and the Government puts Federal bonds into the Social Security reserve fund. The fund is a valid reserve, and the interest on it is real income. But the interest on such bonds can be paid only by future taxes on the public, or by future inflationary Federal deficits.

Social Security funds are not put to work in private industry. They do not create the means of future production. This applies to the present $20 billion of Social Security reserves, and if the reserves were increased to the figure of $250 billion previously mentioned, the same thing would be true.

If, on the other hand, the Government invested Social Security funds in private industry, it would ultimately become the biggest holder of private investments; and we would gradually be transformed into a socialistic or fascist State through government control of the sources of production. Consequently, it seems that no satisfactory way can be devised to create true insurance reserves through a governmental system, even if true insurance reserves were desirable.

This means that our promises to today's worker under Social Security—promises which seem a "bargain" to him today—can only be paid through a steadily increasing scale of Social Security taxes on his part and the part of his employer. Barring this, the system would eventually require substantial Federal subsidy, with increasing burdens for the general taxpayer or more Federal borrowing. In the years after 1975, Social Security taxes will amount, under the present law, to 8% of payrolls up to $4,200. From a $4,000 a year worker there will be exacted more than the average premium he now voluntarily pays for private, National Service and U. S. Government Life Insurance. Yet he will have no choice, and no freedom to adapt his compulsory purchase to his own particular needs and those of his family. Eventually, the burden of Social Security could become insupportable. It could, in truth, be reduced or renounced, if the commitments of this generation go too far beyond the economic or moral law, or beyond the generosity of a future generation. The possibility of such action would be especially great if the actuarial estimates on which the plan is based prove to be low; or if economic depression should ever make the necessary tax burden too heavy to carry.

It would seem to be time therefore to re-appraise the price we may pay for Social Security and other welfare plans.

Social welfare plans do not come as a gift from a beneficent government. Nor do they arise from the sharing of accumulated wealth, as some have contended. As for most other things in life, there is a price to be paid; and the American public should clearly understand that price.

In our business of private life insurance, accident and health insurance, hospitalization and retirement annuities, the price is clearly marked. It comprises a present payment in measurable dollars. Beyond that, the purchaser surrenders nothing.

But in Government-sponsored plans, the true cost is often hidden, and may be paid in the future—even by a future generation. The true cost may be ultimate inflation.

The price may be a lower standard of living, if the energetic people become discouraged by the load they are required to carry for the benefit of others. Or—most costly of all—the price may be regimentation and loss of freedom. This is the price that is least clearly marked, but which, if once paid, may never be recouped.

I find that the average worker, if he thinks of the cost of Social Security at all, thinks of it as amounting to 2% of his income, up to $4,200, because that is the only part of the cost that he pays directly. Many workers are not even aware of this cost, because the automatic payroll deduction is deceptively painless. Actually, the taxes to be paid by employer and employee may prove to be as high as 10% or 11%, just to finance present benefits, and assuming no further liberalizations in the law. These costs, of course, will be met in part by the taxes paid by employers, but they are really paid, in the final analysis, by all workers, through higher prices or lower wages.

Various liberalizations of Social Security now being urged would cost about another 5% of payrolls, according to best available estimates, bringing the total cost to as much as 16% of payrolls.

So far, I have been talking only about the cost of the Federal Old Age and Survivors system. But an agency of the United Nations, known as the International Labor Organization, has undertaken to establish what it euphemistically calls minimum standards of social security for the various nations of the world. Its recommended program embraces nine different categories of Social Security, some of which we do not have at all in this country. It is estimated that it would ultimately require about anoher 12% of payrolls to bring us up to the minimum "standards" specified by the ILO in those categories of Social Security in which we are now "deficient." This could bring our total Social Security bill to something like 28% of taxable payrolls.

Some countries of the world have committed themselves to programs costing about that much. The effects seem destined to be a slowdown in the rate of much-needed capital formation; loss of the individual's control over a large proportion of his own income; a back-breaking tax burden on future generations; discouragement of initiative and enterprise; and government deficits with ultimate depreciation of currency values to the point at which the benefits payable under the social welfare plans fail to accomplish their intended purposes.

One of the things called for in the ILO program is compulsory health insurance. Although that has not been strongly pressed in this country of late, it is by no means a dead issue for the future. Meanwhile, official consideration is being given to a plan for government reinsurance in the health field, which has the merit of offering assistance to private companies, rather than pre-empting their field. Whether or not such a plan is adopted, the proponents of compulsory health insurance are not likely to be satisfied. After all, such insurance is already a central feature of the social welfare plans of other countries.

Federal health insurance would create danger of the same confusion of objectives and the same excessive and uncontrollable costs. This is a relatively new field of insurance operations, and remarkable progress has been made by private organizations in providing health coverages for the American people. Although the business has been developed primarily in the last 10 years, more than 100 million people now have some form of voluntary insurance to cover their medical or hospital expense. This is a growth that is probably without precedent in the entire history of the insurance business. It demonstrates clearly the willingness of people to buy such coverages for themselves, and the ability of the insurance business to provide such insurance at prices people can afford to pay. This is not to suggest, however, that we rest upon our laurels.

It behooves the private companies in the health insurance field to move even more rapidly, and to make their products, services and rates wholly acceptable to the insuring public, so that true health insurance needs are adequately met.

A government-sponsored health insurance plan would be a gigantic and costly undertaking. The cost of all illness in the United States last year is estimated at more than $10 billion. This is several times what the entire Social Security system is now costing annually. Of the $10 billion of illness cost, nearly $6 billion was for payments to doctors and hospitals; and about one-quarter of that total amount was covered by private insurance. Even a government-sponsored plan that covered only hospital and doctors' charges, would involve a cost of nearly $6 billion annually.

Such estimates and the history of Social Security strongly suggest that the activities of Federal Government in the field of medical reimbursement should not comprise **insurance**, but rather, **public assistance.** To extend government financing of the individual's health demands much beyond the public assistance area would not raise the existing level of medical care but might actually lower it, in my opinion. Sudden introduction of a universal health insurance system would probably swamp existing medical facilities. It might result in even greater maldistribution of medical services than exists at the present time.

A public assistance approach should confine any Federal Government plan to those people who, for one reason or another, are unable to buy private insurance. Such groups would include the aged; surviving dependents; and disabled people. Such a plan might also cover low-income people not already on the public assistance rolls, who are unable to purchase health insurance.

The various groups of uninsurables I have just named might total as many as 30 or 40 million people. They represent a large and important segment of our total population, to whom health insurance, in its real or meaningful sense, cannot be extended. A real need exists among such people for medical aid; and that whole area seems to me a proper one for government grant-in-aid plans, provided they are clearly recognized as such, and not as insurance. Whether the public is willing and able to bear the cost of such plans is a question that warrants serious study. But if there is to be an expansion of expenditures by the Federal Government, operations should be kept at the traditional State and local levels—through village, town, city and State administration — with the Federal role restricted to one of providing financial assistance. This would be better than to inject another element of Federal administration into our local community life.

Before this country's social welfare plans are extended further, or before any new ones are adopted, I would suggest a thorough and impartial study of our whole social welfare system and all its implications. We should determine the philosophy and ultimate objectives of such programs; examine all present plans in the light of those objectives; examine over-lapping or conflicting plans; review the soundness and future cost of existing plans; consider any new plans in the light of the ability of the country to support them; and continuously analyze the impact of all such plans on other elements in our economy. The overall purpose would be to make sure we did nothing that would adversely affect the productivity and economic progress of the country, upon which all social welfare plans must depend for their validation, in the final analysis.

I realize that various groups have made studies, from time to time, of separate segments of our social welfare picture. What I am suggesting is a coordinated study of all phases of the entire problem, including its overall impact on other elements of our economy.

In the present temper of the times, we cannot turn the clock back. If we have promised too much, only time will tell. But it is not too late to weigh future extensions in the light of our capacity to pay all those who enjoy the benefits. This, at least, we can do; and if integrity is not to be forsaken as a national ideal, it is a simple obligation of citizenship, regardless of party.

It should be the mark of a great, strong, civilized nation that its citizens are living well, not because it is living on its fat or its future, but because it is productive, and because it saves. Failure to observe these principles is not only morally wrong but economically unwise. For this reason, both life insurance and the citizenry in general must be concerned with the inherent soundness of any welfare system, as well as the question of its social desirability.

I am confident that, in this great country, we can all have real security, if we are willing to work for it and obtain it by stages that do not extravagantly pledge the future or disrupt the country's economy. But unless we guard against those dangers, we may go down in history as the generation which, instead of passing on a better and richer country to the next generation, as our forebears did, mortgaged the future of our children and grandchildren, to assure our own ease and comfort. The fact that we may have done it, not from malice or selfishness but from ignorance or misguided generosity, will not mitigate the blame that future generations will heap upon us.

NASD District No. 6 Elects Austin Gov.

SAN ANTONIO, Texas—Edward H. Austin, of Austin, Hart & Parvin, San Antonio, Texas, has been elected a governor of the National Association Securities Dealers, it was announced by Paul Fagan, Secretary of District Committee 6. The district comprises the state of Texas.

Edward H. Austin

Mr. Austin succeeds Claude T. Crockett of Crockett & Co., Houston.

Elected as members of the District Committee were: Nelson Waggener of Walker, Austin & Waggener, Dallas, to succeed Hugh D. Dunlap of Binford-Dunlap, Inc., Dallas; and William G. Hobbs, Jr., of Russ & Company, San Antonio, to succeed Mr. Austin.

Charles J. Eubank of Chas. J. Uubank Company, Waco, was elected as an additional member of the Committee.

Three Join FIF

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Richard M. Harris, Bradford Richardson and Ray L. Horr, Jr., have joined the staff of FIF Management Corporation, 444 Sherman Street.

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In Praise of a Flexible Monetary Policy

union groups seem strong enough at times to keep their wages in line with the depreciated buying power of the dollar.

The impact of inflation in the period running from the end of the war until 1953 was not felt as acutely as the depreciation in the value of the dollar would indicate. This was due to a high rate of employment and to multiple breadwinners in the family and other factors such as overtime; but, even with these advantages, there was great distress among millions of workers and people who were retired and on pensions.

We expect in this country an increasing group of older citizens enjoying their retirement through income arising partly out of government social insurance, partly out of private insurance, and partly out of their own thrift. Their standard of living will be jeopardized if we accept either the idea that inflation is not a bad thing or that we cannot control it.

The fact that monetary policy standing alone would be unable to cope with inflation is no reason for abandoning it. Courageous use of monetary measures is one of the most effective policies in the fight against inflation. Of course, fiscal policy, debt management, and growth of production are all factors which must be included in our attempts to conduct a successful, free society.

Congress, reflecting the ambition of our country for constant progress, has expressed its viewpoint in the Employment Act of 1946. The Federal Reserve, along with other agencies of the government, is expected to make its contribution to the objectives of this Act. No central bank, no matter how long its experience nor how wisely executed its responsibilities, could carry out this directive in the sense in which some interpret it. The idea that at all times—every week, every month, and every year—we could have full employment of all the citizens in this country who might under any conditions wish to be employed is a concept of Utopia. No free society could ever hope to attain it and the Congress itself, as the debate shows and as the Act's statement of policy shows, did not expect it. This country can have, within the framework of a free, competiitve, capitalistic society, a dynamic and ever-growing standard of living together with high employment—and certainly without serious unemployment. Most of us believe that we can do this and at the same time respect the individual and his freedom so that we can say that while we make material progress we are still a free society.

Progress will not always be in a straight line. There must be periods when the growth will be above the line, and some what it will drop below. If we reduce the severity of these fluctuations and still march on the upward path, our country will make a major contribution to modern civilization.

The program necessary to accomplish this goal will require continuous collaboration and the maximum of cooperation between all groups in our country. No one law or resolution passed by the Congress can hope to do it. Sound fiscal, monetary and debt management policies, as well as a stimulating environment, must be included.

Halsey, Stuart Group Offers Ill. Central RR. 3½% Debentures

Halsey, Stuart & Co. Inc. and associates are offering $18 million Illinois Central RR. Co. 25-year 3½% sinking fund debentures due Jan. 1, 1980, at 100% and accrued interest. The group won award of the issue at competitive sale yesterday (Dec. 15) on a bid of 99.14%. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Net proceeds from the financing will be applied toward the redemption on March 15, 1955, of the company's outstanding 6% non-cumulative convertible preferred stock.

The new debentures will be redeemable at regular redemption prices ranging from 103½% to par, and for the sinking fund at 100%, plus accrued interest in each case.

Illinois Central RR. Co. operates 6,537 miles of main line and branches situated in 14 states, Illinois, Indiana, Missouri, Kentucky, Mississippi, Tennessee, Louisiana, Alabama, Arkansas, Iowa, Wisconsin, Minnesota Nebraska and South Dakota. Of the miles of road operated, 5,933.58 miles are owned by the company.

For the year 1953, Illinois Central RR. Co. had total railway operating revenues of $308,373,591 and net income of $26,369,081. For the nine months ended Sept. 30, 1954, railway operating revenues aggregated $205,535,004 and net income was $13,171,107.

Upon completion of the current financing and the redemption of the preferred stock on March 1, 1955, outstanding capitalization of the company will consist of $209,131,000 of funded debt and 2,715,994 shares of common stock.

Associated with Halsey, Stuart in the offering are: Bear, Stearns & Co.; R. W. Pressprich & Co.; L. F. Rothschild & Co.; Salomon Bros. & Hutzler; Shields & Co.; Stroud & Co. Inc.; Auchincloss, Parker & Redpath; Ball, Burge & Kraus; H. Hentz & Co.; Hirsch & Co.; F. S. Smithers & Co.; Gregory & Son Inc.; New York Hanseatic Corp.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; Stern Brothers & Co.; Freeman & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co. and Rodman & Renshaw.

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Observations . . .

(2) Divergence between issues.

Persistent efforts to anticipate stock price movements by varieties of internal market analysis are insupportable on grounds of both logic and actual results.

Basic fallacy common to "technical" methods is implied major premise that the future course of a stock can be determined from its past behavior. Applies to all, from Dow Theory to sun-spot systems. A discoverable *trend* is a fiction.

* * *

Psychological Foibles in the Market Place

Manic Depressivism. Oscillations from optimism to gloom, with boom-or-bust oscillation.

Escapism. To system-playing. To mutual funds. Too excessive leaning on others.

Crowd Psychology. Fluctuations in public interest correlated with price movements—*ex post facto.* Reflected in traditionally illogical behavior of the short interest.

Rationalizing.

Blue Chip-itis. The market's proclivity to concentrate on timing of movements of "Blue Chip" issues after they have become popular or to speculate on how others are likely to feel, outguessing the guessors. Must meet this proclivity by acquiring now, by value criteria, the Blue Chips of tomorrow.

Practical use value of recognition of psychological foibles (as "New Era" credo):—can serve as valid valuable confirmation of previously suspected opportunity for advantageous action based on value criteria.

* * *

Stocks vs. Real Estate. Real estate is usually higher on earning basis, despite liquidity premium on stocks.

Where Go With Your Investing Dollars?

The Mutual Fund or Investment Company:

ADVANTAGES:

(1) Professional know-how better than amateur (if it does not cost too much).

(2) Full-time, rather than spasmodic, attention given to portfolio problems. Expert management at low cost.

(3) Objectivity in lieu of subjective emotions prevade handling of one's capital.

(4) Diversification.

(5) In case of closed-end companies, the frequent *discount* is highly advantageous to those investors properly interested in maximum yield from investment income.

(6) Freedom from mechanics, as exercise of rights, dividend check handling.

DEFECTS:

(1) Excessive "Blue Chip-iness," that is, concentration on popular issues from self-exculpating motives.

(2) Occasional selling abuses, as encouraging fund-to-fund switching, promoting use of Savings Bonds and bank savings via inflation-scaring, obscuring of buying expense.

(3) Too small or too big. If small, applicable management expense burdensome; if large, difficult to turn around with portfolio changes.

CONCLUSIONS ABOUT THE INVESTMENT COMPANY:

(1) American investment company today has overcome its grow-

ing pains, and is *sui generis* a legitimate investing instrument.

(2) Nevertheless do not expect miraculous operation results, particularly re capital gains. Don't buy fund primarily as an inflation-hedge — concentrate on income.

The Investor and His Adviser

The nettlesome quandary of the non-professional and even semi-professional persists: "How and where can I get the right kind of guidance?"

The adviser must not be expected to predict movements of the market as a whole (a fictional concept), to provide means for "beating-the-market," or for other short cuts to get-rich-quick speculation. Nor can he transform the non-professional into an expert.

But — affirmatively and constructively—he can help all categories of investors follow behavior and policies consistent with sound and logical investment principle, to better your chances for return.

Proper Continuing Basic Attitude:

(1) Check your adviser *vis-a-vis* pitfalls.

(2) Check him for following sound principles:

(3) Permit him to act soundly. Remember: one trouble with Wall Street is the investor.

An adviser is also useful to the most expert investor because of emotional factors—It's bad to be one's own doctor.

The Services

THE CUSTOMERS' BROKER:

Good on facts; bad in forecasting—now passes rigid tests.

(a) Advantage of objectivity through absence of material interest in particular issues.

(b) Disadvantage of remuneration geared to customers' activity.

THE INVESTMENT COUNSEL—
The Scientific Approach:

Basically gives advice on basis of individual needs. Does not execute orders, and usually does not have control over securities. Remuneration received wholly irrespective of capital appreciation or shrinkage, income or activity.

Advantages:

(1) Psychological—reduces subjective emotional elements.

(2) Meets individual needs.

(3) Introduces design and continuing policy to portfolio handling.

Danger—The client will not let counsel act properly. Nags after capital gains, thus giving counsel Hobson's Choice between acting unwisely or losing his client.

Cost a handicap.

* * *

The Investor and the News

Your reaction to financial journalism in general is integrally bound up with fundamental investment principles and practice. Highlights differentiation between investment and speculative attitudes; between market-timing and value approaches; and psychological processes of the market place.

HOW TO READ—AFFIRMATIVE INVESTOR-ATTITUDE SUGGESTIONS:

(1) Maintain stable phlegmatic attitude toward financial news. Unchanging through succeeding periods of rising and falling speculative activity and excitement. Limit to a morning-after or once-a-week scrutiny of price changes in stock table; in lieu of after-the-close stock table hot news, like horse-racing result.

(2) Distinguish between factual data and interpretation. The facts are more important for value-appraisal than editorialization in various forms.

(3) Turn to your own advantage the evidence of psychological foibles. These can be most reassuring in validating conclusions arrived at through logical quantitative criteria.

(4) On all news phenomena related to securities, concentrate on relevant value phases. Market-timing attempts hindered by market's frequent anticipation of news, and absence of correlation with it.

HOW NOT TO READ:

(1) Avoid rumors and rumor-mongering.

(2) Avoid rationalization of interpretation; and habitual suiting of explanation of news in accordance with prior price movement *ex post facto.*

(3) Avoid following editorial-using, and selective emphasis on factors to fit prior market action — as war-peace, government spending, taxation, etc.

(4) Avoid watching market action of issue after your commitment therein.

(5) Fallacy of concept of being proved "right" or "wrong" over short-term.

(6) Beware of over-dramatization and glamorization of the stock market.

(7) Also of pictorialization and the pattern-after-the-past craze. All antithetical to value-technique and philosophy.

PREVALENT FOIBLES IN MARKET COMMENTARY:

(1) Rationalizing previous market action via interpretation of "the news."

(2) Chasing the market with the news, up and down.

(3) Double-standard contradictory interpretation of a single item.

To explain the market's fall one day last week, a leading morning-after commentator cited the Eisenhower indication of continuing budget deficits, usually regarded as in-flationary, not de-flationary.)

(4) Editorial emphasis and selection, to fit writer's forecast as well as preceding market action.

General Conflict of Commentary with Value Analysis.

(1) Reference to "the market," overlooking great divergence.

(2) Tipping, now usually veiled.

IBA GROUP CHAIRMEN

EASTERN PENNSYLVANIA	SOUTHEASTERN	SOUTHERN
		
John F. Bunn, Jr. *Bioren & Co., Philadelphia*	**Wilfred L. Goodwyn** *Goodwyn & Olds Washington, D. C.*	**Clement A. Evans** *Clement A. Evans & Company, Incorporated, Atlanta*

Retail Sales to Be Close to Record High

Final returns for September showed that the value of retail sales in the United States was slightly higher than in the same month of last year, amounting to $14,139,000,000 this year as against $14,082,000,000 in 1953, says the Alexander Hamilton Institute. This gain, however, failed to offset curtailment in previous months. For the first nine months, sales amounted to $123,597,000,000 this year as compared with $125,392,000,000 last year, a decrease of 1.4%.

It does not now seem likely that sales for the full year of 1954 will reach the record high 1953 figure of $170,742,000,000, but they may amount to as much as $169,000,000,000. This means that they will at least be the second highest on record.

Farmers' Income Continues Downward

It is now apparent that cash income received by the farmers in the United States from marketings and government benefit payments in 1954 will show a continuation of the downward trend which began in 1952, according to the Alexander Hamilton Institute. The farmers' cash income during the first nine months of this year declined to $20,633,000,000 from $21,425,000,000 in the same period of last year. This showing indicates that the total for 1954 will amount to approximately $30,500,000,000 as compared with $31,626,000,000 in 1953 and with the record high peak of $33,085,000,000 reached in 1951. Present indications are that a slight further decline will occur in 1955.

B. Shapleigh Symonds Joins Blair & Co. Inc.

Blair & Co. Incorporated announce that B. Shapleigh Symonds has been elected Vice-President, in charge of the firm's Boston office, 50 State Street, and of all New England operations.

A specialist in tax exempt municipal and revenue bonds since January, 1932, Mr. Symonds was formerly with F. S. Moseley & Co. where he served for 10 years as manager of the municipal bond department for the organization's home office in Boston.

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Business Prospects for 1955

such enormous impact on the community.

It isn't just a situation of big business getting bigger. It's also a matter of becoming a bigger part of each community—a bigger part of the United States, a bigger part of New York City, a bigger part of Springfield and Junction City and Punkin Creek. What we do and how we do it means so much — and becomes more and more important all the time.

Others know this just as well as we do. The country knows it; New Yorkers know it; and they know it down in Punkin Creek.

First off I think most people see the benefits to them. Americans everywhere, in my opinion, are seeing more clearly the direct relation between bigness in industry and the rise in our standard of living.

They know large-scale organization is essential to the country's welfare and security. They are beginning to understand that big business is largely responsible for the many material benefits of life they enjoy.

But—

The more widely Americans do realize this, the more also, it seems to me, they are coming to hold big business to what they believe are its total obligations.

And if great enterprises such as you and I are concerned in managing are in fact a basic foundation for our kind of life, then our obligations of today and tomorrow may well be broader—far broader—than we have ever conceived them to be.

In fact I'll say it this way: If we whose services so vitally affect the community are not successful in working for the good of the community, from the community's point of view, then that view will have scant place for us as we are now constituted.

Now I'm aware this is not an original thought. And I'm glad that is so. I'm glad so many large organizations are going on the premise that they must have a deep concern in community well-being.

Perhaps one way to express it is this—that the bigger we grow, the more we must make sure we stay small in the community.

I mean by that—make sure we keep our closeness and intimacy with the people in every town and neighborhood; make sure we are in and of each community, not outside, above or against it; make sure that the people who carry on our business in every city and town do not think of the company's interest as one thing and the community's interest as another.

You don't have to define what makes a good community to know that it is not one in which those who have the most to contribute are thinking only of themselves. That remains true even where ideas differ widely on what constitutes the public interest and how it can best be served.

I would go farther and add that self-serving will not even promote self-interest, for in this country the community still keeps more power than any of its members and that is likely to continue.

Stay Small and Close to the Community

It is only by staying small and close and intimate in the community, in my estimation, that we shall have the chance to show that human satisfactions may be achieved in the largest degree through the operation of private enterprise.

And how practically can we go about it?

There's only one way I know. It's to help each member of our respective organizations to do his full part right where he lives and works. And I think this is the essential that we have to start with when we speak of "decentralizing."

Certainly I have no question about the need to push out authority as far as possible—all the way out to our men and women who are really in and of the community.

But in order to carry the load adequately they must be broad people.

And how can we assist them in getting the experience, the skill, and the breadth of view to do this job well?

Until better ways can be found it seems worth while to us in the Bell System to take people off the job for long enough periods so that they will have time to listen, think, read and discuss—get into their minds a broader concept of what their job really is — and strengthen their talent to carry it out.

Further it has seemd to us that the place to start is within the top management group itself — so that is where we are putting a good bit of our first effort.

I want to say very humbly that we don't regard what we are doing as anything like an adequate answer to the questions I have been raising.

We are just groping. We're in the first grade. But you have to make some kind of a start if you want to learn anything and that's what we are trying to do.

Our most substantial effort, in numbers of people, is what we call the Bell System Executive Conference. Every month a new group of 40 department heads from all sections of the country is meeting at Asbury Park, N. J., for a four-week conference. This has three objectives: to broaden thinking and outlook—to increase present effectiveness — and to stimulate interest in further self-development.

We started this about 15 months ago and 700 key executives in our business will have participated by June of next year. The men are generally in their late 40's and have been in the telephone business 25 years or more.

A typical group will include a plant construction and maintenance head from Canada and an accounting manager from the Deep South; a man who has charge of all telephone business offices on Manhattan Island and another who heads the traffic forces in Wyoming. Along with these and other operating men there will usually be engineers, laboratory scientists, manufacturing superintendents, lawyers, a medical director and a few other staff people.

They live and eat and study together. Morning sessions are largely case problems, with guest speakers in the afternoon.

Many of the speakers are from fields other than business. The group considers the ideas of economists, sociologists, psychologists, historians and others.

One will handle the economics and politics of the Federal budget, or perhaps farm price supports. Another will discuss minority groups and American business. We even have talks and discussions on international problems. In every instance the talks by guest speakers are preliminary to questions and free discussion.

There is no teacher-to-pupil instruction in the usual sense; no preaching. There is no asking or advising the conferees to "think and act in the interest of the community."

But does the give and take of minds help to broaden viewpoints? Does it stimulate new insights—give a man a better understanding of the relation between his job and the world around him?

I can't help but think it does. And those who are taking part seem to think so too.

Maybe some different approach would be better, but we can only learn that through experience. Certainly we keep introducing new ideas into this one. And the committee in charge isn't content with only a four-week program. They continue to send the conferees reading materials after they are back home, and are considering what to do about further sessions after a couple of years or so.

Humanistic Studies for Executives

Another development, which is purely experimental, is a program conducted by the University of Pennsylvania especially for the Bell companies. At the suggestion of The Bell Telephone Company of Pennsylvania, the university a year ago started The Institute of Humanistic Studies for Executives.

This is a 10-month full-time program, and away off the conventional path of business education. Last year there were 17 men in the group, this year 20—most of them a little younger than those in the Asbury Park conference.

The program is testing the values of study in the humanities — literature, art, history, music, philosophy, the social sciences. This is a radical departure. Will it help us toward better ways of growing broad-gauge people?

I can only say—we have hopes.

And we are probing in other ways too—using after-hour and other programs offered by several universities, taking part in the Sloan Fellowship program at M.I.T., entering our people in courses conducted by the American Management Association. We are bringing guests in to our regular management conferences.

But we are still just nibbling at the edges of the whole matter. In the Bell System we have a group of about 10,000 people in the third level of management and above. There are 70,000 more in the first two levels. These experimental stones we are tossing in the pond have a long, long way to send their ripples.

To think and to act in the community's behalf is not an attitude that can be imposed. It is not brought about through a procedure. It can't be produced by direction.

But if we can create a climate in management that nourishes this way of life, then it will grow spontaneously and naturally and not at the expense of other obligations of management.

Perhaps we are learning a little about how to build such a climate. That is the most I feel justified in concluding at this moment. But I hope very much that we and others in industry will continue to work at it, even though we may fumble a bit in the process.

All we need to do is act on our faith that the job deserves our best efforts. The result, I am convinced, will be of lasting benefit—in our own affairs, to all business, and to the country.

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Mutual Funds

room-to-room vision, radar stoves that cook meals in minutes, electronically - monitored highways that permit you to sleep as you drive, completely automatic factories, and long-distance telephone dialing."

THE COMMON STOCK Fund of Group Securities, Inc. reports assets of $14,213,452 for the fiscal year ended Nov. 30, 1954. This represents an increase of $7,119,021, or slightly over 100% compared to last year's figures.

Asset value per share advanced from $8.45 to $10.84. Shares outstanding were increased from 839,658 at the end of 1953 to 1,312,019 in 1954, a gain of 56%.

During the year The Common Stock Fund increased its holdings in basic industries whose earnings are being stimulated by the increase in business activity, notably in building, mining and meals, steels, railroads, agricultural and heavy construction machinery. Holdings in these industries now comprise 53.27% of The Common Stock Fund as against 37% on June 30, 1953.

SOVEREIGN INVESTORS, reporting as of Nov. 30, 1954 shows record high figures in total net assets, number of stockholders and shares outstanding. Assets were $1,169,853.83 compared with $748,813.38 Jan. 1, 1954, or a net gain of more than 56% for the period. The net asset value per share increased from $7.79 per share on Jan. 1, 1954 to $10.67 on Nov. 30, 1954, an increase of 36%. The Fund continues to have approximately 89% of its invested funds in common stocks.

NATIONAL INVESTORS Corporation reports that sales of new shares reached the highest level in November for any month since 1946. Francis F. Randolph, Chairman of the Board and President of this growth stock mutual fund, announced that 39,000 new shares were sold during the month for a total of $599,000.

He stated that net sales totaled 26,000 shares, adding $398,000 to the assets of the Fund. During 1954 to date, net sales of new shares have added approximately $1,000,000 to the Fund's assets.

Mr. Randolph attributed the increase investment interest in National Investors' shares during November to improved business and market sentiment and the resultant rise in stock prices in general.

He reported that the asset value of National Investors' shares advanced sharply during the month from $14.77 to $16.44, or by 11%.

Reflecting the increased market value of its portfolio holdings plus new investment funds received, net assets of National Investors totaled $45,600,000 on Nov. 30 as compared with $31,800,000 at the first of the year.

SCUDDER, STEVENS & Clark Fund, Inc. reports total net assets on Dec. 2, 1954 of $48,467,836, equal to $34.18 per share. This compares with total net assets a year ago of $40,529,160, equivalent to $29.04 per share.

Fund Assets Now At $5.8 Billion

According to the National Association of Investment Companies' monthly report, net assets of 114 open-end members on Nov. 30, 1954, totaled $5,814,839,000. This is a gain of $476,322,000 over the $5,338,517,000 of assets at the end of October and $1,668,778,000 higher than the 1953 year-end total of $4,146,061,000.

Sales of mutual fund shares during November were $100,230,000, compared with $70,506,000 in the previous month, bringing total sales for the first 11 months of 1954 to $762,959,000. Repurchases of shares (redemptions) in November amounted to $31,836,000 and, for October, totaled $31,868,000. For the first 11 months of 1954 redemptions totaled $364,697,000. Mutual Fund shareholders, the Association notes, have the option at anytime to convert their holdings into cash equal to the current asset value of their shares.

The Association reports that 7,300 new accumulation plans, providing for the regular purchase of mutual fund shares, were opened by investors in November. This compared with 6,280 plans started in the previous month and brings the total of such plans opened in the first 11 months of the year to an estimated 60,580.

Cash, U. S. Government securities and short-term obligations held by the 114 Mutual Funds on Nov. 30 amounted to $295,860,000, or 5.1% of total assets. At the end of October, the figure was $201,058,000, or 5.6% of assets.

Boston Trust Splits 3-for-1

Shareholders' Trust of Boston announced that shareholders of record will receive two additional shares for each share held making a 3-1 split. With a net asset value of $33.92 the day before the split, Shareholders' was among the highest priced open-end companies currently offering shares through dealers. This net asset value represented a gain of 69.6% as compared with the $20.00 which the Trust received at organization May 14, 1948, and a gain of 33% compared with $25.51 at Dec. 31, 1953.

On the same day the Trustees announced record distributions from net investment income and capital gains. A dividend of 15c per share on all shares, including the additional shares now being issued, will be paid Dec. 27 to shareholders of record Dec. 17.

Adjusting for the split, this makes 42c per share from this source for the year 1954 compared with the corresponding figure of 39c per share in 1953.

The Trustees also announced that they expect to distribute approximately 45c per share from net capital gains on Jan. 11, 1955. This distribution, which will be declared on or about Dec. 24 will also be paid on the additional shares and compares with 10½c per share on the corresponding basis last year. The capital gains distribution will be optional to shareholders in stock or in cash.

SCUDDER, STEVENS & Clark Common Stock Fund, Inc. reports total net assets on Dec. 2, 1954 of $7,944,499, equal to $19.90 per share. This compares with total net assets a year ago of $5,153,164, equivalent to $14.85 per share. At the time of reopening for the public sale of shares in the Spring of 1950, total net assets were $664,758.

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Open-End Company Statistics—Month of November, 1954
114 Open-End Funds

(In 000's of $)

	11/30/54	10/31/54	12/31/53
Total net assets	$5,814,839	$5,338,517	$4,146,061
	Month of November	Month of October	11 Mos. Through November, 1954
Sales of shares	$100,230	$70,506	$762,959
Redemptions	31,836	31,868	364,697

HOLDINGS OF CASH, U. S. GOVERNMENTS AND SHORT-TERM BONDS

December 31, 1953	$263,647
September 30, 1954	285,893
October 31, 1954	301,058
November 30, 1954	295,860

Accumulation Plans—	Month of November	Month of October	11 Mos. Through November, 1954
No. of new accumulation plans opened in period (73 companies with plans)	7,300	6,280	60,580 (Estimated)

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Materials and Resources For the Nation's Growth

things, and the passage of one more year did a great deal for the state of our files and the state of our minds and our report. We emerged with a certain order, and a certain set of convictions about the need for facing some of the new facts about our new world.

Avoiding Extreme Statements

When the problem of materials and resources is discussed, the public in the past has been only *too* apt to hear the statements of the extremes. One extreme is that our resources are virtually limitless, and nobody but a bunch of Nervous Nellies would bother to bring the subject up even for talk, much less for thought. The other view is that our practices have been so wasteful and sinful in the past that there is practically nothing that can be done about it now, short of the most heroic measures of austerity and self denial, and even they may somehow not be enough.

I do not for a moment believe in either of these extreme views, and it seems to me that the work of our Commission demonstrated that neither is the whole truth. Certainly, the ingenuity of man is not going to die out, and when some material runs short we can reasonably count upon it that we will eventually find something else to take its place. To this extent, our extremely finite resources are vastly extensible via the resource of the human imagination. To remember what happened when we were cut off from natural rubber during World War II is to appreciate the miracles that can be wrought by modernday chemists and engineers. But this is a small example of what a well-known economist has called "Progress through Catastrophe," and I think we would all agree that Progress ought to have other, and better motivating forces. Moreover, short of war, the industrial world is not so arranged that we will wake up one morning to find a banner headline in the newspapers telling us that the last scrap of something — lead, or tin, or iron, or whatever — is gone from the world, and henceforth we must get along without. The trouble is much more insidious than this, and the signs much more subtle. The signs lie in the slowly rising real costs of materials that slowly undermine our standard of living —so slowly that we do not know what is wrong until it is almost too late — in which case more "Progress through Catastrophe" is demanded of us.

Shall It Be Voluntary or Forced Planning

But this sort of thing can be averted if we know we must be alert to the early signs. I am totally against trying to evolve any sort of master plan that would be good for 50 years or even for 15. I think taking such a long view is, as you might say, too short-sighted, but in a world grown as complex as ours — and which will seem simple in contrast with tomorrow's — we no longer have a choice between planning and drifting. The choice now, it seems to me, is between voluntary planning and forced planning. What do I mean by forced planning? I mean planning at the eleventh hour, with a gun at your head; planning that revolves around the manipulation of scarcities that sets neighbor against neighbor. I mean planning to avert the Catastrophe that could have been foreseen. By forced planning I mean planning rigidly enforced by government, and encasing free enterprise in a strait jacket because free enterprise didn't take its responsibilities seriously enough, or soon enough. And this sort of planning I am dead set against. I wholly agree with the expressed belief of the National Planning Association which says, "through effective private planning we can avoid a 'planned economy.'" We must take careful pains to avoid forced planning by being willing to assume — in our private and corporate decisions and in our support of public policies—national and international responsibilities that heretofore we have been inclined to duck.

National Responsibilities

First, as to the national responsibilities. To squander resources is certainly evil, but to hoard them is certainly stupid. Resources are for use — at the time and place where demand is. Moreover, high consumption goes hand in hand with prosperity, and low consumption is only another name for depression. We do not want to leave our timber uncut and our ores unmined when the only effect of this is industrial undernourishment and economic stagnation, and when it means unemployment in mills and factories and not enough wages to buy food for the family at home. High, steady, but **un**wasteful consumption would seem to be the sign of a truly abundant and efficient economy —if this consumption is thoughtfully drawn from resources known to be adequate for a foreseeable future. Many things are out of balance in this equation today. Fortunately, many ways exist to improve the balance. To my mind, the way to do this is **not** to hammer down consumption or hoard resources. Nor is it to let soaring high prices for materials throttle the whole economy. Rather it is to intensify the search for new materials, or new ways of getting old ones. Domestically, this lies in improving incentives to exploration and development of what we know, or suspect, we have. Most geologists agree that more minerals probably lie below the earth's surface than we have ever been able to explore, much less develop. But not enough work, or even imagination, has yet been put forth to start a New Era of man's exploration of his planet—this time not in voyages **across** the land and water, but **downward**, through the Basement Rocks of the Globe. And the place for this new era to being is certainly right here at home.

Materials Consumption Due for A Rise

I think the fact must be faced that during the next 25 years, our consumption of all materials is due for another tremendous rise. The total output of our economy has been doubling every 25 years for a long, long time, regardless of shorter-lived booms and depressions, and there seems little reason to suspect that it will not double again in the next quarter-century ending in 1975.

That would put the value of our total output at $566 **billion** of 1950's dollars. That's where our Report put it. But now I think there is more reason to suspect that the rise will be even greater. If we were writing our report today instead of in 1952, in the light of revised assumptions — larger population and greater rate of increase in productivity — we might reasonably have projected that the gross output reached in 1975 might not be $566 billion at all, but instead a whopping $700 billion. The mere difference between this higher and lower figure is **$134 billion** —which happens to be **more than the total gross output of the United States in the year 1935 measured in the same dollars.**

Fortunately even a mere doubling of the total output does not call for a doubling of materials consumption, thanks again to technology, but it still calls for an awful lot of materials; perhaps 60% more. And it is important for us to realize that even now we are a raw materials deficit nation—however much it may pain some members of Congress to face this statistical fact: we now consume 10% more raw materials than we produce, whereas in 1900 we produced 15% more than we consumed. In recognition of this and other facts, our Commission emphasized the principle that we should acquire our raw materials wherever, in the free world, we could get the best value at the least cost—**whenever this was consistent with the security of the United States.** Now this was not suggesting that we as a nation do anything more radical than what a good housewife does when she goes shopping—but even so, it roused the ire of a few extremely nationalistic "self-sufficiency" minded people who somehow think, or say they think, that it is better, and more patriotic," to subsidize high cost inefficiency at home than it is to exchange dollars for goods among our dependable friends and allies — thus giving our own consumers the benefit of the savings, and our friends and allies the benefit of the dollars with which they can buy our goods.

I sometimes wonder how in the world we get along as well as we do. Along with the most progressive technology in the world — bold, resourceful, forward looking and magnificently inventive—we still cling to ideas in the realm of political economy for which the kindest name is medieval. Among these medieval ideas is that idea that we should continue to demand more gold in exchange for our goods, when what we really need is more chrome, and tin and manganese. We have many surpluses of our own that the rest of the free world needs in exchange to **fill** our needs — and we **must** achieve this freer and freer trade, for the equal good of our friends **and ourselves.**

Here is where our international responsibilities enter. For the inescapable fact remains that, for all our technology, we are going to be forced to import more and more of the materials of our industrial civilization in the future. But please consider this: as I have said already, today we import a net 10% of our materials needs. But even if, 20 years from now, we raised our proportion of imported materials to 25% of the total we should then consume — and this would be a very high level, and represent a great change in our world outlook—we would still need a vastly greater amount of materials from our own domestic resources than we draw today. There are those in this country who think that rising imports can only spell dislocation and unemployment for industries which formerly supplied, at home, what it is proposed to import. Obviously, there would be some dislocations, and if any of them were large enough to be important, they would have to be helped, just as serious regional economic dislocation for other causes should be helped. But we must think of ourselves, I repeat, as a nation, and not as a set of districts, mining or otherwise. I am not suggesting that because extreme self-sufficiency is economic folly the only other answer is extreme dependency on distant and hazardous supplies; we will have to keep some uneconomic domestic resources and facilities "in being" for reasons of security alone. The line cannot be drawn neatly in anybody's after-dinner speech, for the problem is complex, and it changes with time and events. But those who think of imports **only** as a threat to domestic investment and employment are, I am sure, failing utterly to take into account the enormous potential of the American future. The true problem is: How are we to keep up with our consumption—and strangling ourselves by denying ourselves cheap and plentiful raw materials is most certainly not the answer.

The leadership of America, in slowly knocking down the barriers to freer and freer trade, is an essential to future peace, happiness and prosperity. The start has been made; it must be continued with all our national vigor. Not only should we import on freer and freer terms—we must import; a failure to recognize this fact can wreck a large portion of the free world economy, including our own. If this fact is not faced, mere good will is powerless against a grim future; if it is not faced, good judgment about the future cannot be exercised at all.

The role of Accident in personal and national life is always going to be pretty big: to diminish it by a few percentage points is to give an even wider scope to freedom and prosperity than they have enjoyed before. The idea of planning toward Utopias in this country is dead, and need not be mourned. But the idea of looking ahead and taking steps toward both Survival and Growth is now of the first order of urgency, and lies before every private and public group and every Parliament and Congress of the world. I hope we in this country are not going to be laggard in this respect so that we can have a future as rich and free as the past.

Continued from page 121

Mutual Funds

PERSONAL PROGRESS

MORTON M. BANKS has been elected New York resident Vice-President of North American Securities Company, S. Waldo Coleman, President, announced.

Robert S. Wilson has also joined the North American organization as wholesale representative. North American Securities Company is investment adviser and distributor for Commonwealth Investment Company and Commonwealth Stock Fund.

Prior to Dec. 1, Mr. Banks and Mr. Wilson represented both Commonwealth mutual funds in the New York area through Mr. Bank's firm, Banks & Co.

In their new capacities, Mr. Banks and Mr. Wilson will be serving investment dealers in New Jersey, Pennsylvania, Ohio, Delaware, Southern Connecticut, and New York.

FRANK T. BETZ, JR. has been appointed Vice-President in wholesale distribution of Delaware Distributors, Inc., sponsors of the $25 million Delaware Fund, it was announced by W. Linton Nelson, Chairman of the Board.

Mr. Betz will supervise wholesale distribution of the Fund's shares in New York City, Philadelphia, New Jersey and New England where he has been active as area sales manager since first joining the Delaware organization in October, 1953.

The newly-appointed officer has had considerable experience in both the retailing and wholesaling phases of the mutual fund business. At one time he directed a sales laboratory for the study of retail methods.

Mr. Betz is a graduate of Rider College and holds a Bachelor of Science degree in Business Administration. During World War II he served with the First Marine Air Wing of the United States Marine Corps in the Pacific.

CHARLES S. MUNSON, JR. has been elected President of American European Securities Company, effective Jan. 1, 1955. Mr. Munson succeeds Joseph A. Straessle, who is retiring on that date. Mr. Munson is a Director and Secretary of The United Corporation.

Mr. G. P. Chamorel has been elected a Director and a Vice-President of the company, also effective Jan. 1, 1955. Mr. Chamorel is Assistant Vice-President of Belgian-American Banking Corporation, from which position he is resigning as of the end of the year.

Sees Overdevelopment of Shopping Centers

Arthur Rubloff, head of large Chicago realty firm, says economy is threatened by excess of shopping centers. Holds we need better stores, not more stores.

"If the present trend of shopping centers continues, it could very well destroy the value of millions of dollars of real estate through the demoralization of many of our established business areas as well as these new centers, and the result could bring about the foreclosure of more commercial real estate than any of us would care to see," according to Arthur Rubloff, Chairman of the Board of the large Chicago realty firm of Arthur Rubloff & Company. Mr. Rubloff is the creator of the $400 million Fort Dearborn Project redevelopment program for Chicago, and the $200 million "Magnificent Mile" development on upper North Michigan Avenue in Chicago.

"Unfortunately," he contends, "because we have built without regard to proper planning and judgment, many areas are completely over-stored. Generally speaking, we do not need more stores—actually our need is for better stores. There is just so much spendable income in this country, as a whole, or as it may apply to any given municipality or locale. More stores, whether individual or grouped to form shopping centers or strip developments, competitive to already established business areas obviously will tap the spendable income supporting these business sections, and the end result is a division of sales that will ultimately support neither," continued Rubloff.

"In many areas shopping centers are being built so close to one another that a fierce competition has developed between themselves for the spendable income in the area . . . a competition that is resulting in a 'dog eat dog' survival of the fittest situation.

"While our population is increasing at the rate of 2,500,000 per annum, the expansion of our retail or commercial properties is far in excess of our growth requirements."

Continued Mr. Rubloff, "I am a firm believer in the proper development of commercial shopping centers, or for that matter strip developments providing:

"(1) There is an absolute proven need for the facility.

"(2) There is the proven spendable income to support it.

"(3) These types of developments do not compete ruinously with already established business areas.

"Upon these conditions I have continually advocated and encouraged the proper development as well as redevelopment of all types of commercial property. In some cities the effect of what I believe to be the over-expansion of shopping centers has already completely demoralized some third rate as well as some secondary business sections. For example, the accompanying table indicates the transgression of shopping centers on existing retail facilities in their respective cities, to mention just a few.

"There is a difference of opinion as to what a shopping center really is, but whether they are shopping centers or strip developments, approximately 1,800 have been built at a cost of many millions of dollars and hundreds upon hundreds more are either in the construction or planning stage. Hardly a day passes without a number of these developments being announced in cities large and small all over America. It has reached a point where almost anyone who owns a piece of acreage—located good or bad—has formed the conclusion that they have the perfect site or location for a shopping center.

"Home builders who have erected anywhere from 300 to 1,000 homes augment their building programs by including either strip developments or shopping centers—and not necessarily with the altruistic view of offering convenience of shopping for their potential home buyers, but rather because they are of the opinion that here lies a profitable dollar. Little do they realize there is no more arduous or habardous undertaking than the building of shopping centers," concludes Mr. Rubloff.

City (Metropol. Areas)	Metropolitan Population (1950 Census)	Completed	Under Construction	Planning Stage
Columbus	406,321	5	2	$10,000,000*
Chicago	5,494,600	10	4	22
Indianapolis	551,777	--	--	3
Louisville	530,768	--	--	4
Detroit	2,121,699	6	--	11
Milwaukee	871,000	2	--	4

*Development just announced.

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)	Dec. 19	§81.5	*82.1	79.3	84.3
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 19	§1,944,000	*1,958,000	1,892,000	1,900,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 3	6,285,700	6,270,100	6,191,350	6,179,400
Crude runs to stills—daily average (bbls.)	Dec. 3	¶6,962,000	6,974,000	6,941,000	6,964,000
Gasoline output (bbls.)	Dec. 3	24,410,000	24,130,000	23,069,000	24,319,000
Kerosene output (bbls.)	Dec. 3	2,554,000	2,513,000	2,395,000	2,547,000
Distillate fuel oil output (bbls.)	Dec. 3	11,187,000	10,888,000	10,330,000	9,589,000
Residual fuel oil output (bbls.)	Dec. 3	7,555,000	7,661,000	7,839,000	8,628,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 3	151,378,000	149,191,000	149,138,000	147,961,000
Kerosene (bbls.) at	Dec. 3	35,430,000	36,244,000	38,178,000	34,217,000
Distillate fuel oil (bbls.) at	Dec. 3	131,432,000	134,916,000	137,198,000	129,764,000
Residual fuel oil (bbls.) at	Dec. 3	54,355,000	55,513,000	56,469,000	51,073,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 4	661,797	583,515	695,097	662,026
Revenue freight received from connections (no. of cars)	Dec. 4	570,503	583,048	611,756	573,538
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 9	$258,341,000	$302,762,000	$371,482,000	$655,138,000
Private construction	Dec. 9	156,326,000	196,088,000	161,329,000	528,209,000
Public construction	Dec. 9	102,015,000	106,674,000	210,153,000	126,929,000
State and municipal	Dec. 9	83,627,000	84,517,000	152,232,000	118,072,006
Federal	Dec. 9	18,388,000	22,157,000	57,921,000	8,857,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 4	8,500,000	7,350,000	8,510,000	8,371,000
Pennsylvania anthracite (tons)	Dec. 4	610,000	500,000	521,000	574,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 4	191	133	127	190
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 11	‡9,846,000	9,612,000	9,197,000	8,661,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 9	223	221	227	216
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 7	4.797c	4.797c	4.798c	4.632c
Pig iron (per gross ton)	Dec. 7	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Dec. 7	$32.17	$32.33	$34.00	$32.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 8	29.700c	29.700c	29.700c	29.700c
Export refinery at	Dec. 8	30.475c	30.175c	31.600c	28.750c
Straits tin (New York) at	Dec. 8	90.000c	90.250c	91.250c	85.750c
Lead (New York) at	Dec. 8	15.000c	15.000c	15.000c	13.500c
Lead (St. Louis) at	Dec. 8	14.800c	14.800c	14.800c	13.300c
Zinc (East St. Louis) at	Dec. 8	11.500c	11.500c	11.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 14	98.88	99.27	99.34	95.89
Average corporate	Dec. 14	110.70	110.70	110.70	106.21
Aaa	Dec. 14	115.04	115.24	115.24	110.88
Aa	Dec. 14	112.37	112.56	112.37	108.16
A	Dec. 14	110.70	110.70	110.52	106.04
Baa	Dec. 14	105.00	105.00	105.00	100.32
Railroad Group	Dec. 14	108.88	109.06	108.88	103.80
Public Utilities Group	Dec. 14	111.25	111.25	111.07	106.56
Industrials Group	Dec. 14	112.00	112.00	112.19	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 14	2.58	2.55	2.55	2.79
Average corporate	Dec. 14	3.13	3.13	3.13	3.38
Aaa	Dec. 14	2.90	2.89	2.89	3.12
Aa	Dec. 14	3.04	3.03	3.04	3.27
A	Dec. 14	3.13	3.13	3.14	3.39
Baa	Dec. 14	3.45	3.45	3.45	3.73
Railroad Group	Dec. 14	3.23	3.22	3.23	3.52
Public Utilities Group	Dec. 14	3.10	3.10	3.11	3.36
Industrials Group	Dec. 14	3.06	3.06	3.05	3.27
MOODY'S COMMODITY INDEX	Dec. 14	403.5	407.9	413.9	409.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 4	297,807	199,444	317,710	307,305
Production (tons)	Dec. 4	246,190	244,798	259,692	239,567
Percentage of activity	Dec. 4	87	88	95	88
Unfilled orders (tons) at end of period	Dec. 4	392,807	343,160	447,385	433,182
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 10	106.73	106.56	106.17	107.45
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. 27	1,103,947	1,370,675	950,206	559,576
Dollar value	Nov. 27	$53,497,006	$65,204,683	$44,380,898	$24,192,630
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Nov. 27	1,183,537	1,536,591	964,419	589,933
Customers' short sales	Nov. 27	7,271	10,684	6,934	7,002
Customers' other sales	Nov. 27	1,176,266	1,525,907	957,485	582,931
Dollar value	Nov. 27	$53,152,371	$69,204,683	$41,946,630	$22,176,603
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 27	371,070	526,220	353,790	200,590
Short sales	Nov. 27	------	------	------	------
Other sales	Nov. 27	371,070	526,220	353,790	200,590
Round-lot purchases by dealers—					
Number of shares	Nov. 27	299,970	361,320	286,220	186,440
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	Nov. 20	721,320	749,060	434,770	298,280
Other sales	Nov. 20	16,859,580	15,992,880	10,370,020	6,788,740
Total sales	Nov. 20	17,580,900	16,741,940	10,804,790	7,087,020
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 20	2,038,080	1,892,160	1,165,420	696,950
Short sales	Nov. 20	419,100	438,110	232,110	138,350
Other sales	Nov. 20	1,570,610	1,490,980	1,000,860	553,720
Total sales	Nov. 20	1,989,710	1,929,090	1,232,970	692,070
Other transactions initiated on the floor—					
Total purchases	Nov. 20	613,000	585,120	343,680	203,580
Short sales	Nov. 20	32,330	37,500	20,200	19,400
Other sales	Nov. 20	601,210	492,310	310,330	177,930
Total sales	Nov. 20	633,540	529,810	330,530	197,330
Other transactions initiated off the floor—					
Total purchases	Nov. 20	715,300	680,649	472,130	222,860
Short sales	Nov. 20	92,520	98,170	67,050	28,650
Other sales	Nov. 20	717,234	578,581	417,937	247,390
Total sales	Nov. 20	809,754	676,751	484,987	276,040
Total round-lot transactions for account of members—					
Total purchases	Nov. 20	3,366,380	3,157,929	1,981,230	1,123,390
Short sales	Nov. 20	543,950	573,780	319,360	186,400
Other sales	Nov. 20	2,889,054	2,561,871	1,729,127	979,040
Total sales	Nov. 20	3,433,004	3,135,651	2,048,487	1,165,440
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 7	109.3	109.5	109.7	110.1
Farm products	Dec. 7	90.7	91.8	92.2	95.0
Processed foods	Dec. 7	103.4	103.5	104.3	104.7
Meats	Dec. 7	84.7	85.0	87.4	86.8
All commodities other than farm and foods	Dec. 7	114.5	114.5	114.5	114.5

*Revised figure. ¶Includes 669,000 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. ‡All-time high record.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OR GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of October (in thousands)	$152,321,000	$149,907,000	$147,699,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of September (millions of dollars):			
Manufacturing	$43,637	*$43,929	$47,087
Wholesale	11,686	*11,783	11,989
Retail	22,410	22,451	22,924
Total	$77,733	*$78,163	$82,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of October (000's omitted)	$594,200	$1,264,500	$553,300
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of November (000's omitted):			
Total U. S. construction	$1,214,582	$995,781	$794,315
Private construction	674,148	523,279	405,043
Public construction	540,434	472,502	389,272
State and municipal	408,091	353,712	314,417
Federal	132,343	118,790	74,855
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of September:			
Death benefits	$168,679,000	$168,048,000	$167,520,000
Matured endowments	39,154,000	39,247,000	37,155,000
Disability payments	8,602,000	8,648,000	8,683,000
Annuity payments	35,608,000	34,907,000	33,477,000
Surrender values	67,885,000	69,738,000	54,548,000
Policy dividends	74,131,000	60,271,000	62,724,000
Total	$394,119,000	$380,859,000	$364,117,000
MANUFACTURERS INVENTORIES AND SALES (DEPT. OF COMMERVE) NEW SERIES— Month of September (millions of dollars):			
Inventories—			
Durables	$24,105	*$24,232	$26,958
Nondurables	19,532	*19,697	20,129
Total	$43,637	*$43,929	$47,087
Sales	23,677	*23,482	25,379
MONEY IN CIRCULATION—TREASURY DEPT. As of Sept. 30 (000's omitted)	$29,985,000	$29,929,000	$30,275,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Nov.:			
Industrials (125)	4.29	4.43	5.53
Railroads (25)	5.43	6.02	7.05
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.60	4.82	5.26
Banks (15)	4.26	4.50	4.28
Insurance (10)	2.74	3.00	3.32
Average (200)	4.39	4.57	5.53
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of October:			
Total number of vehicles	287,557	369,942	621,288
Number of passengers cars	221,195	300,998	528,814
Number of motor trucks	65,965	68,618	91,955
Number of motor coaches	397	326	519
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of September (in billions):			
Total personal income	$287.4	$285.4	$287.7
Wage and salary, receipts, total	195.7	195.5	199.2
Commodity producing industries	82.8	*82.7	88.0
Distributing industries	52.9	*52.8	52.5
Service industries	25.8	*25.8	24.9
Government	34.2	*34.2	33.8
Less employee contributions for social insurance	4.5	4.7	4.0
Other labor income	6.6	6.6	6.5
Proprietors and rental income	49.3	48.2	48.9
Personal interest income and dividends	24.4	24.3	23.4
Total transfer payments	15.9	15.5	13.7
Total non-agricultural income	271.6	*270.2	271.9
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — 1910-14 = 100—As of Oct. 15:			
Unadjusted—			
All farm products	242	246	257
Crops	243	247	235
Food grain	235	233	219
Feed grain and hay	204	210	207
Tobacco	441	444	452
Cotton	293	292	280
Fruit	218	248	204
Truck crops	191	170	191
Oil-bearing crops	275	276	251
Livestock and products	242	245	276
Meat animals	263	277	299
Dairy products	263	253	275
Poultry eggs	153	162	230
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of October (000's omitted):			
Exports	$1,274,000	$1,108,300	$1,253,100
Imports	764,000	780,700	813,568
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Nov. 30	$278,887,507	$278,785.667	$275,282.380
General fund balance	7,303,761	6,662,775	5,922,862
Net debt	$271,583,746	$272,122,892	$269,359,518
Computed annual rate	2.300%	2.298%	2.424%
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Nov. 30 (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	278,853,086	278,752,052	275,208,583
Guaranteed obligations not owned by the Treasury	34,420	33,615	73,796
Total gross public debt and guaranteed obligations	$278,887,507	$278,785,607	$275,282,380
Deduct—other outstanding public debt obligations not subject to debt limitation	530,173	531,100	575,452
Grand total outstanding	$278,357,334	$278,254,566	$274,706,927
Balance face amount of obligations, issuable under above authority	2,642,665	2,745,433	293,072

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● Alaska Telephone Corp. (1/3)
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.

★ Amcrete Corp., Briarcliff, N. Y.
Dec. 6 (letter of notification) 7,500 shares of 6% participating preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—Distributor of prefabricated concrete wall panels and buttresses made of steel reinforced dense concrete, etc. **Underwriter**—None.

★ American Bankers Life Insurance Co. of Florida
Dec. 6 (letter of notification) 5,000 shares of class A common stock (par $10). **Price**—$25 per share. **Proceeds**—For working capital. **Office**—Landon Bldg., Miami, Fla. **Underwriter**—None.

● American Discount Co. of Georgia (12/20)
Nov. 29 filed 15,000 shares of 5% cumulative preferred stock, series 1954. **Price**—At par ($50 per share). **Proceeds** — For working capital. **Office** — Charlotte, N. C. **Underwriters**—A. M. Law & Co., Spartanburg, S. C.; Johnson, Lane, Space & Co., Inc., Savannah, Ga.; and Interstate Securities Corp., Charlotte, N. C.

★ American Duchess Uranium & Oil Co.
Dec. 9 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For uranium and oil activities. **Office**—Judge Bldg., Salt Lake City, Utah. **Underwriter**—Northern Securities, Inc., Seattle, Wash.

★ American Hoist & Derrick Co., St. Paul, Minn.
Dec. 8 (letter of notification) 6,455 shares of common stock (par $1) to be issued upon exercise of options. **Price**—$16.15 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ American-Israel Paul Ehrlich Medical Institute, Inc., New York
Dec. 9 filed 195,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — For construction and equipment of hospital and medical center at Ramat Gan, Israel. **Underwriter**—None. Haim Margalith, of New York City, is President.

American Steel & Pump Corp., N. Y.
Nov. 24 filed $3,000,000 of 4% income bonds, series A, due Dec. 1, 1994. **Price**—To be supplied by amendment. **Proceeds**—To pay $55,000 of 6% collateral income notes and $100,000 demand notes; to pay Federal income tax liabilities and for working capital, etc. **Underwriter**—A. W. Benkert & Co., Inc., New York.

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.

Ampex Corp., Redwood City, Calif. (12/22)
Dec. 2 filed $1,500,000 of convertible subordinated debentures due Nov. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—To redeem $635,000 of 10-year 6% debentures at par and to provide additional working capital. **Business**—Produces magnetic recording equipment. **Underwriters**—Blyth & Co., Inc. and Irving Lundborg & Co., both of San Francisco, Calif.

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.

★ Appell Oil & Gas Corp., Alice, Texas
Dec. 1 (letter of notification) 8,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To selling stockholder. **Office**—Appell Bldg., Alice, Tex. **Underwriter**—R. V. Klein & Co., New York.

★ Arcoa, Inc., Portland, Ore.
Dec. 13 filed $5,000,000 of "U-Haul Fleet Owner Contracts," to be issued to increase the number of trailers available for rent in the System. **Office**—Portland, Ore.

Arctic Uranium Mines Ltd.
Oct. 28 (Regulation "D") 1,500,000 shares of common stock (no par value). **Price**—20 cents per share. **Proceeds**—For general corporate purposes. **Office** — 411 Childs Bldg., Winnipeg, Manitoba, Canada. **Underwriter**—De Gaetano Securities Corp., New York.

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. Statement effective Dec. 7.

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.

● Bell & Gossett Co. (12/20-21)
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 vorious 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.

★ Big Dollar Food Stores, Inc. (12/17)
Dec. 3 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For modernization and expansion program and working capital. **Office**—42 East Post Road, White Plains, N. Y. **Underwriter**—Baruch Bros. & Co. Inc., New York.

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.

★ Big Red Uranium Co., Oklahoma City, Okla.
Deb. 6 (letter of notification) 2,940,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—917 First National Bank Bldg., Oklahoma City, Okla. **Underwriter**—Honnold & Co., Inc., same city.

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.

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NEW ISSUE CALENDAR

December 16 (Thursday)
New York, New Haven & Hartford RR. ____ Equip. Trust Ctfs.
(Bids noon EST) $3,345,000

December 17 (Friday)
Big Dollar Food Stores, Inc. ____ Common
(Baruch Bros. & Co., Inc.) $300,000
Servomechanisms, Inc. ____ Debentures
(Van Alstyne, Noel & Co.) $2,000,000
Stancan Uranium Corp. ____ Common
(Gearhart & Otis, Inc. and Crerie & Co.) $2,625,000

December 20 (Monday)
American Discount Co. of Georgia ____ Preferred
(A. M. Law & Co.; Johnson, Lane, Space & Co.; and Interstate Securities Corp.) $750,000
Bell & Gossett Co. ____ Common
(Blair & Co. Incorporated) 300,000 shares
Magna Oil Corp. ____ Common
(Bache & Co.) 240,000 shares

December 21 (Tuesday)
Illinois Central RR. ____ Equip. Trust Ctfs.
(Bids noon CST) $8,700,000
Oroco Oil & Gas Co. ____ Common
(Rauscher, Pierce & Co.) 520,000 shares

December 22 (Wednesday)
Ampex Corp. ____ Debentures
(Blyth & Co., Inc. and Irving Lundborg & Co.) $1,500,000
Edgemont Mining & Uranium Corp. ____ Common
(Capper & Co.) $750,000

December 29 (Wednesday)
Stylon Corp. ____ Common
(Gearhart & Otis, Inc.; White & Co.; and McCoy & Willard) 250,000 shares

January 3 (Monday)
Alaska Telephone Corp. ____ Debentures
(Tellier & Co.) $158,000

January 4 (Tuesday)
Union Trust Co. of Maryland ____ Common
(Alex. Brown & Sons) 100,000 shares

January 5 (Wednesday)
T. M. T. Trailer Ferry, Inc. ____ Debens. & Common
(John R. Boland & Co., Inc.) $297,950

January 6 (Thursday)
Marine Midland Corp. ____ Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.; Union Securities Corp.; Schoellkopf, Hutton & Pomeroy, Inc.; and Granbery, Marache & Co.) $20,350,000

January 10 (Monday)
Bowl-Mor Co., Inc. ____ Preferred & Common
(Aetna Securities Corp.) $1,100,000
Duke Power Co. ____ Bonds
(Bids to be invited) $40,000,000

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
United Gas Corp. ____ Common
(Bids 11:30 a.m. EST) 170,000 shares

January 12 (Wednesday)
Duke Power Co. ____ Common
(Offering to stockholders—no underwriting) 218,737 shares

January 14 (Friday)
Citizens National Trust & Savings Bank of Los Angeles ____ Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) $6,600,000
Green Mountain Uranium Corp. ____ Common
(Tellier & Co.) $300,000

January 17 (Monday)
Duquesne Light Co. ____ Common
(Bids noon (EST) 450,000 shares
Imperial Minerals, Ltd. ____ Common
(Milton D. Blauner & Co., Inc.) $298,800
Income Fund of Boston, Inc. ____ Common
(Hayden, Stone & Co.) $8,000,000

January 18 (Tuesday)
New England Power Co. ____ Bonds
(Bids to be invited) $25,000,000

January 20 (Thursday)
Duquesne Light Co. ____ Preferred
(Bids 11 a.m. EST) $8,000,000

January 25 (Tuesday)
Consumers Power Co. ____ Bonds
(Bids 11 a.m. EST) $30,000,000

February 15 (Tuesday)
Kansas City Power & Light Co. ____ Bonds
(Bids to be invited) $16,000,000

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Blue Canyon Uranium, Inc.
Nov. 29 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining activities. **Offices** — 1003 Continental Bank Bldg., Salt Lake City, Utah, and 618 Rood Ave., Grand Junction, Colo. **Underwriter** — James E. Reed Co., Reno, Nev.

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.

★ **Bolling Oil Corp., Fort Worth, Texas**
Dec. 7 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil and gas activities. **Office** — 509-510 Insurance Bldg., Fort Worth, Tex. **Underwriter**—None.

Bowl-Mor Co., Inc., Everett, Mass. (1/10)
Nov. 26 filed 200,000 shares of preferred stock (par $1) and 200,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$5.50 per unit. **Proceeds**—To carry machine leases and finance manufacturing operations. **Business**—Manufactures and distributes by lease and sale, a bowling-pin setting machine. **Underwriter**—Aetna Securities Corp., New York.

★ **California Modular Homes, Inc.**
Dec. 9 (letter of notification) 196,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For additions to plant and equipment and working capital. **Office** — 3808 22nd St., East Del Paso Heights, Calif. **Underwriter**—United Capital Co., Reno, Nev.

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.

★ **California Washington Petroleum Corp.**
Dec. 10 (letter of notification) 190,835 shares of common stock. **Price**—At par ($1 per share). **Office**—Los Angeles, Calif. **Underwriter** — None, sales to be made through certain agents.

★ **Carborundum Co.**
Dec. 3 (letter of notification) 8,696 shares of common stock (par $5) to be issued to Lincoln Park Industries, Inc. in exchange for 250 shares (total outstanding) of common stock of Curtis Machine Corp.

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.

Chesapeake & Colorado Uranium Corp.
Dec. 7 filed 750,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Office** — Washington, D. C. **Underwriter**—Peter Morgan & Co., New York. **Offering**—Expected some time in January.

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. The offer will expire on Dec. 24.

Circle Air Industries, Inc.
Nov. 29 (letter of notification) 299,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — For machinery and equipment and working capital. **Name Change**—Company was formerly known as Paley Manufacturing Corp. **Office**—244 Herkimer Street, Brooklyn, N. Y. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

★ **Cloverleaf Kennel Club, Loveland, Ohio**
Dec. 7 (letter of notification) 250,000 shares of class A common stock and 50,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds** — To organize dog race track. **Underwriter**—None.

Colorado Plateau Uranium Co.
Dec. 1 (letter of notification) 1,900,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office** — 824 Equitable Bldg., Denver 2, Colo. **Underwriter**—John L. Donahue, 430 16th St., Denver, Colo.

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.

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.

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.

Consumers Cooperative Association, Kansas City, Mo.
Nov. 24 filed 80,000 shares of 5½% preferred stock, 20,000 shares of 4% second preferred stock and 40,000 shares of 2% third preferred stock (all three being "cumulative to the extent earned before patronage refunds"), together with $500,000 of subordinated certificates of indebtedness, 4½%—10 years, and $1,000,000 of subordinated certificates of indebtedness, 5½%—20 years. **Price** — For preferred — At par ($25 per share); and for certificates, at principal amount. **Proceeds**—To finance inventories and accounts receivable and to repay bank loans and certificates ahead of maturity. **Underwriter**—None.

★ **Contact Uranium, Mines, Inc., N. Y.**
Dec. 7 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—100 West 42nd St., New York. **Underwriter**—Justin Steppler, Inc., New York.

● **Dallas Power & Light Co.**
Nov. 17 (letter of notification) 567 shares of common stock (no par) being offered for subscription by minority stockholders of record Nov. 30 on basis of one new share for each 12 shares held; rights to expire on Dec. 28. **Price**—$140 per share. **Proceeds**—For construction program. **Officer**—1506 Commerce Street, Dallas, Texas. **Underwriter**—None.

★ **Danmark Cunit, Inc., Atlanta, Ga.**
Dec. 7 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For plant activities, etc. **Office**—308 Ivy St., N.E., Atlanta, Ga. **Underwriter**—None.

★ **Demars Engineering & Manufacturing Corp.**
Dec. 9 (letter of notification) 40,000 shares of 6% non-cumulative participating preferred stock (par $1) and 40,000 warrants representing rights to purchase 4,000 additional shares of preferred stock (each warrant allows for the purchase of one-tenth of a preferred share). **Price**—$1 per unit. **Proceeds**—For additional machinery and equipment, to pay current liabilities and for working capital. **Office**—360 Merrimac St., Lawrence, Mass. **Underwriter**—Jackson & Co., Boston, Mass.

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.

● **Duke Power Co. (1/12/55)**
Dec. 3 filed 218,737 shares of common stock (no par), to be offered for subscription by common stockholders of record Jan. 12, 1955 on the basis of one new share for each 20 shares held (with an oversubscription privilege); rights to expire Jan. 28. **Price**—$40 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

● **Duke Power Co. (1/10)**
Dec. 3 filed $40,000,000 of first and refunding mortgage bonds due 1975. **Proceeds** — To redeem $35,000,000 of 3¾% bonds 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 on or about Jan. 10.

● **Edgemont Mining & Uranium Corp (12/22)**
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.
Nov. 5 filed 300,000 shares of $4.40 convertible second preferred stock, series of 1954 (no par) of which 226,424 shares are being offered for subscription by common stockholders of record Dec. 2 on the basis of one preferred share for each 21 common shares held. Of the remaining 73,576 shares (64,383 shares) are being offered in exchange for outstanding $4.40 convertible preferred stock, series of 1952, on a share-for-share basis with a cash adjustment. Both offers expire on Dec. 17. **Price**—$100 per share. **Proceeds**—To redeem 1952 series preferred stock and to reduce bank loans. **Underwriter**—White, Weld & Co., New York.

Eula Belle Uranium, Inc.
Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—506 First Security Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

★ **Exhibitors Film Financial Group, Inc., New York**
Dec. 10 filed 100,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None. Samuel Pinanski, of Boston, Mass., President of American Theatres Corp., will be President of Exhibitors.

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.

Farm & Home & Discount Co., Phoenix, Ariz.
Nov. 29 filed 320,000 shares of class A common stock (par 25 cents), 214.285 shares of class B common stock (par 35 cents) and 300,000 shares of class C common stock (par 50 cents). **Price** — At par. **Proceeds** — For working capital. **Underwriter**—None.

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

★ **Forest Lawn Co., Glendale, Calif.**
Dec. 10 (letter of notification) $300,000 of 3% debentures, series K, dated June 1, 1954 and due June 1, 1974. **Price**—At par. **Proceeds** — For capital improvements. **Office**—1712 S. Glendale Ave., Glendale 4, Calif. **Underwriter**—None.

Foster Publications, Inc. (N. Y.)
Oct. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Business**—Publishes "Guide for Sport Fisherman." **Office**—165 Broadway, New York. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 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.

★ **Gem Uranium & Oil Co., Salt Lake City, Utah**
Dec. 9 (letter of notification) 11,000,000 shares of capital stock (par one cent). **Price**—Two cents per share. **Proceeds**—For exploration and development of oil and uranium properties. **Office** — 414 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Utah Uranium Brokers, same city.

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.

★ **Gibraltar Mortgage Co., Fort Lauderdale, Fla.**
Dec. 2 (letter of notification) 300,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—To retire debt and for other contingencies. **Office**—101 N. Andrews Ave., Fort Lauderdale, Fla. **Underwriter**—None.

● **Glasscock (C. G.)-Tidelands Oil Co.**
Nov. 12 filed 215,000 shares of common stock (par $1). **Price** — Expected to be $11 per share. **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**—336 Independence Bldg., Colorado Springs, Colo. **Underwriter**—Al. J. Johnson, same city.

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.

Green Mountain Uranium Corp. (1/14)
Nov. 30 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office**—618 Rood Ave., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

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. **Underwriter**—Melvin G. Flegal & Co., same address.

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., 70 Wall St., New York, N. Y.

Imperial Minerals, Ltd. (Canada) (1/17)
Nov. 23 (Regulation "D") 830,000 shares of common stock (par $1). **Price**—36 cents per share. **Proceeds**—For mining activities. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

● **Income Fund of Boston, Inc. (1/17-18)**
Dec. 2 filed 800,000 shares of common stock (par $1). **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds**—For investment. **Underwriter**—Hayden, Stone & Co., New York.

International Bankers Life Insurance Co.
Sept. 29 (letter of notification) 12,500 shares of common stock to be offered for subscription by stockholders of record Sept. 20, 1954 at rate of one new share for each share held. **Price**—At par ($10 per share). **Proceeds**—For addition to capital and to be invested in appropriate securities. **Office**—Continental Life Building, Fort Worth, Texas. **Underwriter**—None.

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.

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.

★ **Investors Group Canadian Fund Ltd., Winnipeg, Canada**
Dec. 13 filed 3,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment principally in stocks of Canadian industries. **Organized**—In November 1954 by Investors Diversified Services, Inc., as a special type of mutual investment company. **Underwriter**—None.

Irwin Community Television Co., Irwin, Pa.
Aug. 31 filed 4,000 shares of 5% cumulative preferred stock (par $100) and 2,250 shares of common stock (par $100), of which 4,000 shares and 2,000 shares, respectively, have been subscribed for by 156 persons prior to registration thinking registration was unnecessary. Each subscription agreement provided for payment of 2% of the total purchase price on signing agreement and balance on request of the board of directors or at any time on or after 15 days from date of grant of television permit. **Price**—$100 per share. **Proceeds**—For organization expenses, equipment, construction and related purposes.

★ **Jenkintown Parking Corp.**
Dec. 2 (letter of notification) 479 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To purchase parking lot and for improvements thereon. **Office**—c/o Donald R. Coffin, Secretary; 701 West Avenue, Jenkintown, Pa. **Underwriter**—None.

★ **Justheim Petroleum Co., Salt Lake City, Utah**
Dec. 9 (letter of notification) 2,650,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For oil and mining expenses. **Office**—318 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Hunter Securities Corp., New York.

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.

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.

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.
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.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of common stock (no par) to be first offered for subscription by stockholders. **Price**—$20 per share. **Proceeds**—To reimburse treasury for expenditures already made for additions to property. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

★ **Lucky-Custer Mining Corp.**
Dec. 7 (letter of notification) 50,967 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining operations. **Office**—329 Yates Bldg., Boise, Ida. **Underwriter**—Ernest Leroy Bevis, 1414 Arthur St., Caldwell, Ida.

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.

Magna Oil Corp., Dallas, Texas (12/20)
Nov. 29 filed 240,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For further investments, working capital and other corporate purposes. **Underwriter**—Bache & Co., New York.

● **Marine Midland Corp., Buffalo, N. Y.**
Nov. 18 filed 426,000 shares of common stock (par $5) being 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 and will expire on Dec. 28. Statement effective Dec. 6.

★ **Marine Midland Corp., Buffalo, N. Y. (1/6)**
Dec. 9 filed 407,000 shares of cumulative preferred stock to be offered for subscription by common stockholders of record Jan. 5, 1955, on the basis of one preferred share for each 18 shares of common stock held. **Rights** will expire on Jan. 24. **Price**—At par ($50 per share). **Proceeds**—For investment in additional capital stock of subsidiary bank, to repay bank loans and for other corporate purposes. **Underwriters**—The First Boston Corp.; Union Securities Corp.; Schoellkopf, Hutton & Pomeroy, Inc.; and Granbery, Marache & Co.

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.

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.

Mi-Ame Canned Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 200,000 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-Continent Uranium Corp., Denver, Colo.
Nov. 26 filed 1,562,500 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploratory operations, machinery and equipment, and for working capital and unforeseen contingencies. **Underwriter**—General Investing Corp., New York.

Military Investors Financial Corp.
Dec. 1 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—2310 Main St., Houston, Texas. **Underwriter**—Cobb & Co., Inc., same city.

Minnesota Valley Natural Gas Co.
Dec. 1 (letter of notification) 19,671 shares of common stock (par $10), of which 17,760 shares are to be publicly offered and 1,911 shares to be offered to employees. **Price**—To public, $15.25 per share; to employees, $14.25. **Proceeds**—To retire short term notes and for working capital. **Office**—1750 Hennepin Ave., Minneapolis, Minn. **Underwriters** — Woodard-Elwood & Co., Minneapolis, Minn., and Harold E. Wood & Co., St. Paul, Minn.

Mississippi Power & Light Co.
Sept. 3 filed 44,476 shares of 4.56% cumulative preferred stock (par $100) being 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 will expire Dec. 20. **Price**—$105 per share and accrued dividends. **Underwriters** — White, Weld & Co. and Kidder, Peabody & Co.

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.

● **Nagler Helicopter Co., Inc.**
Nov. 30 (letter of notification) 99,667 shares of common stock (par one cent). To be issued upon exercise of stock warrants. **Price** — $1.25 per share. **Proceeds** — For working capital and to purchase machinery and equipment. **Office**—Westchester County Airport, White Plains, N. Y. **Underwriter**—John R. Boland, New York.

★ **National Gyramatic Corp., Denver, Colo.**
Dec. 6 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To pay expenses incident to sale of furniture and mattresses employing a device known as "Gyra Unit." **Office**—324 Denham Bldg., Denver, Colo. **Underwriter**—None.

★ **New England Power Co. (1/18)**
Dec. 13 filed $25,000,000 of first mortgage bonds, series F, due Jan. 1, 1985. **Proceeds**—To purchase properties from Connecticut River Power Co. **Underwriter**—To be determined by competitive bidding. Probable bidders:

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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 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.

New York Shipbuilding Corp.
Dec. 6 filed 74,925 shares of common stock (par $1) to be offered in exchange for 374,624 shares of common stock (par five cents) of Highway Trailer Co. at rate of one share of Shipbuilding stock for each five shares of common stock of the Trailer company.

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.

★ **Northern Chemical Industries, Inc., Searsport, Me.**
Dec. 10 filed $5,000,000 of 15-year 5½% subordinate debentures due Dec. 1, 1969, and 100,000 shares of common stock, class B (no par) to be offered in units of $1,000 of debentures and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For construction expenditures and working capital. **Underwriter**—White, Weld & Co., New York.

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.

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.

Onego Corp., Uniontown, Pa.
Dec. 8 filed 150,000 shares of capital stock (par $1). **Price**—$3.50 per share. **Proceeds**—To repay bank loans and indebtedness to company officials; to pay balance of purchase price of New Mexico property; to purchase equipment and wells; and for working capital. **Underwriter** — Langley-Howard, Inc., Pittsburgh, Pa., on a "best-efforts" basis.

● **Oroco Oil & Gas Co. (12/21)**
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. **Office**—Albuquerque, N. M. **Underwriter**—Rauscher, Pierce & Co., Dallas, Texas.

Paraderm Laboratories, Inc.
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.

Pennsylvania Power & Light Co.
Dec. 2 filed 65,455 shares of common stock (no par); 858 shares of 4.40% cumulative preferred stock (par $100); 5,378 shares of 3.35% cumulative preferred stock (par $100); and 4,032 shares of 4½% cumulative preferred stock (par $100) to be offered in exchange for securities of The Scranton Electric Co. on the following basis: (a) one share of Pennsylvania common stock for each two shares of Scranton common stock; (b) one share of Pennsylvania 4.40% series preferred stock for each share of Scranton 4.40% cumulative preferred stock; and (c) one share of Pennsylvania 3.35% series preferred stock for each share of Scranton 3.35% cumulative preferred stock, or, at the election of the Scranton shareowners, for each share of Scranton's 3.35% cumulative preferred stock, two shares of Pennsylvania's common stock, or for each lot of four shares of Scranton 3.35% cumulative preferred stock, three shares of Pennsylvania's 4½% preferred stock. Pennsylvania owns approximately 91% of the preferred stock and 91% of the common stock of Scranton.

★ **Phillips Screw Co.**
Dec. 3 (letter of notification) an undetermined number of shares of capital stock (par 10 cents) to be offered for subscription by stockholders (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For working capital of subsidiary. **Office**—580 Fifth Avenue, New York 36, N. Y. **Underwriter**—None.

★ **Poly-Seal Corp.**
Dec. 8 (letter of notification) 40,000 shares of capital stock (par 10 cents) to be offered for subscription by stockholders on a one-for-five basis. **Price**—$1.75 per share. **Proceeds**—For machinery and equipment and working capital. **Business** — Manufactures and sells plastic screw-cap closures. **Office**—405 Lexington Avenue, New York, N. Y. **Underwriter**—None.

Primadonna Hotel, Inc., Reno, Nev.
Dec. 8 filed 2,330 shares of class A common stock and 9,260 shares of class B common stock to be offered in units of one class A and four class B shares only to persons approved by the Nevada State Tax Commission. **Price** — $500 per unit. **Proceeds** — To construct eight-story hotel at 237-241 No. Virginia St., Reno, Nevada. **Underwriter**—None.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

★ **Republic Aviation Corp.**
Dec. 7 (letter of notification) 903 shares of common stock (par $1). **Price**—At market (about $35 per share). **Proceeds**—To reimburse holders of fractional shares received in the connection with payment of a 10% stock dividend. **Underwriter** — Walters, Peck & Co., New York, N. Y.

Resort Airlines, Inc., Miami, Fla.
Oct. 21 (letter of notification) 1,190,000 shares of common stock (par 10 cents) being offered to minority stockholders on the basis of one new share for each two shares held of record Oct. 26, 1954. Resort Airlines, Inc. (Del.), parent, has the right to purchase up to 84% of the offer. **Price**—20 cents per share. **Proceeds**—To reduce accounts payable and for working capital. **Address**—Box 242, International Airport, Miami, Fla. **Underwriter**—None.

Rhodesia Selection Trust, Ltd. (No. Rhodesia)
Nov. 12 (letter of notification) 59,151 ordinary shares, par 5s. to be offered to stockholders of record Nov. 22, 1954 in the ratio of three new shares for each 44 shares held. Rights to expire on Dec. 22, 1954. Shares not taken down will not be reoffered in the United States. **Price**—$17s. 6d. ($2.38) per share. **Proceeds**—To purchase additional shares in copper producer (Mufulira), which in turn will use the proceeds for capital expenditures. **Underwriter**—Selection Trust Ltd., Selection Trust Bldg., Mason's Ave. and Coleman St., London, England.

★ **Ritter Finance Co., Inc.**
Dec. 1 (letter of notification) 100,000 shares of class B common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To make small loans and for other general corporate purposes. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa. **Offering**—Made yesterday (Dec. 15).

★ **Rohr Aircraft Corp., Chula Vista, Calif.**
Dec. 2 (letter of notification) 7,200 shares of common stock (par $1). **Price**—At market. **Proceeds**—To four selling stockholders. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

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.

★ **Rushmore Uranium & Oil Corp.**
Dec. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses of uranium and oil properties. **Office**—618 6th St., Box 8, Rapid City, S. D. **Underwriter**—Philip Gordon & Co., Inc., New York.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

San Juan 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.

● **Servomechanisms, Inc. (12/17)**
Dec. 1 filed $2,000,000 5% convertible debentures due Dec. 1, 1966. **Price**—100% and accrued interest. **Proceeds**—For repayment of bank loans and other general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **Seven Up Bottling Co. of Los Angeles, Inc. (1/10)**
Dec. 14 filed 19,767 shares of capital stock (no par) to be offered for subscription by common stockholders of record Jan. 10, 1955 at rate of one new share for each four shares held. **Price**—$32.50 per share. **Proceeds**—For expansion program. **Underwriter** — Quincy Cass Associates, Los Angeles, Calif.

Silver Pick Uranium, Inc., Reno, Nev.
Nov. 22 (letter of notification) 2,994,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

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.

★ **Snyder Chemical Corp., Bethel, Conn.**
Dec. 8 (letter of notification) $50,000 of 10-year 3% debentures and 62,500 shares of common stock (par one cent) to be offered in units of $8 principal amount of debentures and 10 shares of stock. **Price**—$8 per unit. **Purpose**—To purchase new vacuum kettle for manufacture of resins and other chemicals. **Office**—Henry St., Bethel, Conn.

Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

Somerset Telephone Co., Norridgewock, Me.
June 11 (letter of notification) 2,200 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and new equipment. **Underwriters**—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

★ **Southeastern Surety Co., Tallahassee, Fla.**
Dec. 9 (letter of notification) 7,897 shares of common stock (par $15). **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., and Leedy, Wheeler & Alleman, Inc., Orlando, Fla.

★ **Southern Michigan Cold Storage Co.**
Dec. 6 (letter of notification) 2,500 shares of common stock. **Price** — At par ($100 per share). **Proceeds**—To help finance construction and equipment of plant. **Office**—Pipestone Road, Benton Harbor, Mich. **Underwriter**—None.

● **Stancan Uranium Corp., Toronto, Canada (12/17)**
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. Statement effective Dec. 7.

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.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

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.

★ **Stylon Corp. (12/29-30)**
Dec. 9 filed 250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Gearhart & Otis, Inc.; White & Co.; and McCoy & Willard.

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.

★ **Talley Machine & Manufacturing Corp.**
Dec. 9 (letter of notification) 2,650,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—3535 E. 16th St., Los Angeles 23, Calif. **Underwriter**—None.

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.

★ **Texas Adams Oil Co., Inc., N. Y.**
Dec. 6 (letter of notification) 66,000 shares of common stock (par 10 cents). **Price**—75 cents per share. **Proceeds**—To selling stockholders. **Office**—39 Broadway, New York. **Underwriter**—Philip Gordon & Co., Inc., same city.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 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.

★ **Texcrete Structural Product Co., Dallas, Texas**
Dec. 14 filed 350,779 shares of common stock (par 10 cents) to be offered for subscription by stockholders of Texas Industries, Inc. of record Dec. 10, 1954 at rate of one share Texcrete for each share of Texas Industries then held. **Price**—$3 per share to stockholders and $3.50 to public. **Proceeds**—For expansion and general corporate purposes. **Underwriters**—Rauscher, Pierce & Co., Inc., Dallas, Tex., and Russ & Co., San Antonio, Tex.

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.

★ **Thunderbolt Oil Corp., Washington, D. C.**
Dec. 8 (letter of notification) 2,500,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For oil and gas activities. **Office**—1424 K St., N.W., Washington, D. C. **Underwriter**—Coombs & Co., same address.

● **T. M. T. Trailer Ferry, Inc. (1/5)**
Nov. 23 (letter of notification) $295,000 of 5½% convertible debentures due Dec. 1, 1960 and 29,500 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—To purchase equipment to retire $50,000 of notes and for working capital. **Underwriter** — John R. Boland & Co., Inc., New York.

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.

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.

Union Compress & Warehouse Co.
June 25 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To 35 selling stockholders. **Office** — Memphis, Tenn. **Underwriters**—Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

★ **United Gas Corp. (1/11)**
Dec. 15 filed 170,000 shares of common stock (par $10). **Proceeds**—To Electric Bond & Share Co. This sale will reduce E. B. & S. holdings to less than 10% of United Gas Stock outstanding. **Underwriters**—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**—Tentatively expected to be received up to 11:30 a.m. (EST) on or about Jan. 11.

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 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) being offered for subscription by stockholders on the basis of one new share for each 10 shares held; unsubscribed shares to be offered to employees. Rights expire Dec. 21. **Price**—$6 per share; unsubscribed, to public at $6.60 per share. **Proceeds**—For working capital. **Address**—Box 547, Fresno, Calif. **Underwriters**—J. Barth & Co. and Schwabacher & Co., both of San Francisco, Calif.

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.

Wenga Copper Mines, Inc., N. Y.
Nov. 18 (Regulation "D") 900,000 shares of common stock (par five cents). **Price**—30 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Willis E. Burnside & Co., 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.

★ **West Virginia Water Service Co.**
Dec. 9 (letter of notification) 800 shares of $5 cumulative preferred stock (no par). **Price**—$105 per share. **Proceeds**—For new construction. **Office**—179 Summers St., Charleston, W. Va. **Underwriter**—H. M. Payson & Co., Portland, Me.

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 Fire & Indemnity Co., Lubbock, Texas
Oct. 18 filed 30,000 shares of common stock (par $10). **Price**—$25 per share. **Proceeds**—To establish reserve to qualify company to do business in States other than Texas. **Underwriter**—None.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Western Precipitation Corp., Los Angeles, Calif.
Oct. 21 filed 60,000 shares of common stock (par $1). **Price**—$8.75 per share. **Proceeds**—For working capital, etc. **Business**—Designs, manufactures and installs equipment used for clearing industrial gases. **Underwriter**—Wagenseller & Durst, Inc., Los Angeles, Calif.

● **Whitaker Metals Corp., North Kansas City, Mo.**
Nov. 29 filed 50,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Nov. 29 at the rate of one new share for each four shares held; rights to expire on Dec. 30. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Barret, Fitch, North & Co., Kansas City, Mo.

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.

William Montgomery Co., Philadelphia, Pa.
Dec. 9 (letter of notification) $150,000 5% registered debenture notes (subordinated) maturing 10 years from date of issuance. **Price**—At par. **Proceeds**—For working capital. **Office**—999 No. Second St., Philadelphia 23, Pa. **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.

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.

★ **Zodomok Mines, Inc., Durango, Colo.**
Dec. 9 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For gold mining operations. **Office**—101 Folsom Place, Durango, Colo. **Underwriter**—None.

Prospective Offerings

Air-Way Electric Appliance Corp.
Dec. 6 directors approved proposals to increase the authorized common stock (par $3) from 400,000 shares to 1,200,000 shares, and to authorize $5,000,000 of preferred stock to carry a dividend rate of not exceeding 5%, with either a $50 or a $100 par value. Both stock issues are subject to approval of the stockholders. Underwriters—Wm. C. Roney & Co., Detroit, Mich., has handled numerous secondary offerings in the past.

● **Aluminium, Ltd.**
Dec. 8 directors approved proposal to offer stockholders rights to subscribe for additional shares at rate of one new share for each 10 shares held. (At last accounts there were outstanding 9,029,193 shares.) **Price**—Not to exceed $46 (Canadian) per share. **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 January, 1955.

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● 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 basis of four shares for each 10 shares held; rights to expire on Dec. 22. **Price**—$12.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

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 & Eastern Illinois RR.
Sept. 21 company filed an application with the ICC for authority to issue $15,350,000 of 5% income debentures due Jan. 1, 2054, to be offered in exchange, par for par, for the outstanding 383,751 shares of class A stock (par $40).

Chicago, Rock Island & Pacific RR.
Oct. 28 it was reported that this company may possibly announce a refunding operation soon which will eliminate its preferred stock.

Citizens National Trust & Savings Bank of Los Angeles (1/14)
Dec. 6 it was announced bank plans to issue to stockholders of record Jan. 11 the right to subscribe for 200,000 additional shares of new common stock (par $10) on the basis of two new shares for each five shares held (after proposed stock split to be voted on Jan. 11.) **Price**—$33 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

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 Diesel Electric Corp.
Dec. 9 it was reported a public offering is planned of 350,000 shares of common stock. **Proceeds**—To selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York.

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.

● Consumers Power Co. (1/25)
Dec. 6 company filed with Michigan P. S. Commission an application for authority to issue and sell $30,000,000 of first mortgage bonds to mature not earlier than Jan. 1, 1990. **Price**—Expected to be not less favorable to the company than a 3¼% basis. **Proceeds**—For expansion and improvement program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly). **Bids**—To be opened at 11 a.m. (EST) on Jan. 25 at office of Commonwealth Services Inc., 20 Pine St., New York, N. Y. **Registration**—Expected on Dec. 28 with SEC.

★ Dallas Power & Light Co. (2/14)
Dec. 8 it was reported company plans to issue and sell $7,000,000 of debentures due 1980. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Wertheim & Co. (jointly); Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill, Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co. **Registration**—Scheduled for Jan. 14. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 14.

★ Duquesne Light Co. (1/17)
Dec. 10 it was announced company plans to issue and sell 450,000 shares of common stock (par $10). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Stone & Webster Securities Corp.; The First Boston Corp. and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Jan. 17, 1955.

★ Duquesne Light Co. (1/20)
Dec. 10 Philip A. Fleger, Chairman of the Board, announced that company plans to issue and sell 160,000 shares of preferred stock (par $50). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 20, 1955.

Evans Products Co., Plymouth, Mich.
Nov. 6 it was announced stockholders will vote Dec. 21 on approving an authorized issue of 100,000 shares of preferred stock (par $50) and on increasing the authorized common stock (par $5) from 300,000 shares to 1,000,000 shares. **Business**—Company manufactures freight car loading equipment. **Financing**—Not imminent.

First National Bank of 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.

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 January.

Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

Gulf, 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.

● Holly Corp., New York
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing by Holly Uranium Corp. has been arranged to be followed by a public offering early in 1955 after which Holly Corp. plans to distribute part of its holdings of Holly Uranium Corp. stock to its stockholders.

Household Finance Corp.
Oct. 7 preferred stockholders approved a proposal to increase the authorized amount of preferred stock (par $100) from 312,000 shares to 592,000 shares. **Underwriters**—Lee, Higginson Corp. and Kidder, Peabody & Co., both of New York; and William Blair & Co., of Chicago and associates.

Illinois Central RR. (12/21)
Bids are expected to be received by the company up to noon (CST) on Dec. 21 for the purchase from it of $8,700,000 equipment trust certificates due semi-annually, July 1, 1955 to Jan. 1, 1970, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

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.

Missouri Natural Gas Co.
Nov. 8 it was reported early registration of about 110,000 shares of common stock is expected. **Price**—May be around $8 per share. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

National Starch Products, Inc.
Sept. 28 stockholders approved an authorized issue of 40,000 shares of new prefererd stock (par $100), a part of which may be issued privately to finance a new midwestern plant to produce vinyl resins. **Underwriter**—F. Eberstadt & Co., Inc., New York, handled previous financing.

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.

New York, New Haven & Hartford RR. (12/16)
Bids are expected to be received by the company up to noon (EST) on Dec. 16 for the purchase from it of $3,345,000 equipment trust certificates due semi-annually July 1, 1955 to Jan. 1, 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

Pacific Power & Light Co.
Oct. 19 stockholders approved a proposal to authorize 200,000 additional preferred stock of $100 par value, which are to be sold in series. **Proceeds**—For new construction. **Offering**—Not imminent.

Peninsular Telephone Co.
Oct. 19 stockholders approved proposal to increase authorized preferred stock from 600,000 shares to 1,000,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Underwriters** — Last financing was handled by Morgan Stanley & Co. and Coggeshall & & Hicks. Not imminent.

Pennsylvania Co. for Banking and Trusts, Phila.
Dec. 6 stockholders were offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of one new share for each 14 shares held as of Nov. 26, 1954; rights to expire on Dec. 23. **Price**—$42 per share. **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.

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.

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 Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

U. S. National Bank of Portland (Ore.)
Dec. 7 stockholders of record Dec. 2 were given the right to subscribe on or before Dec. 22 for 48,000 shares of capital stock (par $20) on the basis of one new share for each 17¾ shares held. **Price**—$50 per share. **Underwriter**—Blyth & Co., Inc., New York, and Portland, Ore.

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.
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 Light & Telephone Co., Inc.
Nov. 24 it was announced company plans to issue and sell $3,000,000 first mortgage bonds due 1985 and about 40,000 additional shares of common stock (the latter to stockholders on a 1-for-10 basis). **Proceeds**—For construction program. **Underwriters**—May be Dean Witter & Co. and The First Trust Co. of Lincoln, Neb. **Offering**—Expected in January. Bonds may be sold publicly or privately, depending on market conditions.

Western Pacific RR. Co.
Sept. 8, it was announced that directors have approved the issue and sale about Jan. 1, 1955 of $7,000,000 of first mortgage bonds, series B. **Proceeds** — To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Our Reporter's Report

The inevitable signs of the approach of the year-end spread through the investment world this week as the rank and file of institutional investors started "putting up the shutters" so to speak.

From this point through the balance of the month portfolio men for these large money pools will be putting in their time making last-minute adjustments in their investment holdings.

Normally such activities are limited to rounding out certain positions and clearing away the odds and ends accumulated through the year. But, in the interval, dealers know they have their work cut out for them.

With the major buyers virtually out of the market, except for special situations, underwriters and their distributing organizations recognize that they face the likelihood of carrying the bulk of any new ventures over the turn of the year.

This annual letdown probably helps explain, along with the softening in Treasury issues, the slackening of investment demand, not only for corporate offerings, but for revenue bonds as well.

The latter market, which has been a robust affair through most of the year, appears at the moment to be a bit glutted. And immediately ahead, tentatively scheduled for next week, is New York State Power Authority's projected offering of $335,000,000 of new bonds.

Feeling the Squeeze

Bankers who brought out New England Telephone & Telegraph Co.'s $30,000,000 of 34-year debentures to market yesterday experienced some evidence of the effect of the year-end slow-down.

The group paid the company a price of 101.70 for a 3⅛% interest rate and repriced the issue at 102.22 for reoffering, for an indicated yield of 3.02%. The runners-up had bid 101.31 for the same coupon and were planning to reoffer on a 3.03% yield basis.

In some quarters this meager differential of one basis point in yield was looked upon as the difference between a selling operation and one which would have attracted more aggressive demand. But on the other hand, some of those long in the business could not see it that way. They just regarded the yield as too close to the arbitrary 3% level that has been a bugaboo of the corporate underwriting business for months.

Next Week's Schedule

Bankers face a sparse calendar in the week ahead with a perusal of the prospective new issue list showing a total absence of anything in the way of corporate offerings slated, aside from $8,700,000 equipment trust certificates of Illinois Central Railroad.

There are a few offerings on "rights" due to be cleared away, but past that bankers will, of necessity, be forced to take participations in two big revenue issues which are up for bids.

N. Y. State Power Authority's huge issue will be up for bids on Tuesday unless there is a change in plans, while the following day $88,000,000 City of Chicago Toll Bridge bonds will be offered through a negotiated deal.

Yields Carry Weight

That prospective yield continues to be a real factor in attracting buyers appears to have been demonstrated—again by the success of a couple of recent offerings.

This week's $6,000,000 of 3¼%, 30-year first mortgage bonds of New Orleans Public Service Inc., brought out at a price of 102.718 for a yield of 3.11%, was reported to have found a ready market.

Meantime, the syndicate which sponsored last week's large Tennessee Gas Transmission Co. issue, $125,000,000 of 3½% first mortgage pipe line bonds, was able to report yesterday that the issue had been oversubscribed. It was priced at 101.44 for a yield of 3.40%.

Allen & Company Sells Foster Wheeler Stock

Allen & Co., New York, on Dec 9 made an offering of 54,300 shares of common stock (par $10) of Foster Wheeler Corp. at $36.62½ per share. This offering was quickly oversubscribed.

None of the proceeds are to accrue to Foster Wheeler Corp., but will go to selling stockholders.

Jarecki Common Stock Sold at $12.75 a Share

Baker, Simonds & Co., Detroit, Mich., and associates on Dec. 14 offered publicly 180,000 shares of Jarecki Corp. common stock (par $1) at $12.75 per share. This offering was heavily oversubscribed.

The net proceeds will go to three selling stockholders.

Participating in the sale were: The First Cleveland Corp.; MacNaughton - Greenawalt & Co.; Hudson White & Co.; J. C. Bradford & Co.: Fusz-Schmelzle & Co.; Wm. C. Roney & Co.; Straus, Blosser & McDowell; Van Alstyne, Noel & Co.; Blunt, Ellis & Simmons; Cruttenden & Co.; Fairman, Harris & Co., Inc.; Gottron, Russell & Co., Inc.; McDonald-Moore & Co.; Nauman, McFawn & Co.; Shillinglaw, Bolger & Co.; Smith, Hague, Noble & Co.; and Green, Erb & Co., Inc.

Peter Morgan Offers Lithium Shs. at $10c.

Peter Morgan & Co., of New York City, are offering to the public "as a speculation" 1,495,000 shares of common stock of United States Lithium Corp. at par (10 cents per share).

It is planned to use the net proceeds to pay part of the cost of a chemical plant for making lithium carbonate, costs of exploration and development of claims now being acquired. Any remainder will be utilized for working capital.

United States Lithium Corp. was formed Aug. 5, 1954 in Utah for the general purposes of acquisition, exploitation, development and operation of lithium properties. It owns nine mining claims which are collectively known as the Brown Derby Mine and are located in Gunnison County, Colo. It also owns six claims, known as the "Tucker claims."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Latin American businessmen are all set to make a personal pitch for U. S. and Canadian investment money at a four-day conference in New Orleans late this winter —and government observers and technical advisors from both sides of the equator will be on hand to make sure things progress according to plan.

The plan is simply to interest industrialists and business-men in making investments of $500,000 or more to underwrite capital projects in Latin American countries. On the surface, the meeting is being stirred up by private interests.

But it's not that simple. State Department and other U. S. Government agencies got a real scare earlier this year by the near communization of Guatemala. As a result, they began to put pressure on for some type of large-scale economic aid. The only thing wrong with adding some of the South American countries to our mammoth give-away program was that it lacks popular appeal—the voters don't think of our Southern neighbors as anything but real, if somewhat erratic, friends.

The next out was to put on a full-scale drive to interest private investment in pumping some big money south of the border. Upshot is the Inter-American Investment Conference from Feb. 28 through March 3.

Sponsored by Business

Sponsors of the conference are the city of New Orleans (which has a large port busting with berths to serve ships from South America) and Time-Life International. Cooperating with the sponsors are the Chamber of Commerce of the United States, the National Association of Manufacturers, the Investment Bankers Association of America and the United States Inter-American Council. International House is taking care of the technical details of the meeting.

Some 50 firms from at least 16 South American countries will send representatives to the meeting with specific investment proposals. Role of the observers and technical experts from the various countries involved is to take due note of the fears displayed by potential investors and work for official actions to remove them. For instance, not long ago the Foreign Operations Administration eased its foreign investment guarantee program to provide more protection against expropriation of U. S. investments abroad and guard against losses from currency revaluation in other countries.

In a letter to Eric Johnston, Chairman of the International Development Advisory Board last July, President Eisenhower gave official sanction to the conference. "We also urge appropriate action on the part of our government to encourage the outflow of private investment and on the part of foreign nations to encourage its inflow," he noted.

Johnston's group is a private citizens organization appointed by the President to advise on certain aspects of U. S. foreign economic policy.

Was Once "Dollar Diplomacy"

To many businessmen sitting in on the panel discussions and talking privately with Latin American participants, the meeting—while it undoubtedly will produce some fetching investment offers—will be a far cry from the not-too-distant past when Latin American nationalists were attempting to purge "Yankee Imperialists" and decrying U. S. "Dollar Diplomacy."

The long-range upshot of the conference, sponsors hope, will be the formation of a permanent investment guidance service to continue interesting U. S. and Canadian money in Latin American projects—a type of investment counselling service at the moment not performed by the U. S. Commerce Department.

Countries from which business representatives will treck to the meeting so far include Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Venezuela.

There are some observers in Washington who note that the New Orleans conference is following closely on the heels of the Rio conference between governments, and remembering the emphasis placed on private capital at the Rio conflab, see a strong opportunity for investors to get broad promises of cooperation from the governments involved. They also note an implied club in one phrase of the official announcement:

"We are convinced that if the private enterprise system is to prevail in the nations of the Western hemisphere, main reliance for the development of economic potentials must be placed upon the forces of private initiative. These forces will respond in both continents if they are properly encouraged to do so."

* * *

Maritime Officials Propose Shipbuilding Boosts

Maritime Administration officials will take another swing at updating this country's merchant marine and trying to knock the ship building industry out of its dog days.

Now under consideration by the Maritime Board is a six-point legislative program which in all probability will be sent to Congress by the Administration. Last year, Congress approved $175 million for subsidizing new ship construction and repairs.

The new program calls for:

(1) Sale of government held mortgages on merchant ships, now valued at over $300 million, so the funds could be made available to meet new government obligations arising under ship construction contracts.

(2) Creation of a ship construction revolving fund. This fund, actually established in the 1936 Merchant Marine Act, has been inoperative for years because balky Congresses wouldn't provide any funds. The merchant officials want Congress to permit ship construction appropriations and funds represented by government equities in existing ships to be used to activate the fund, and deposit in the fund construction subsidy appropriations; receipts to the government from sale of ship mortgages; interest and principal on government ship mortgages, and receipts from sale and charter of government-owned vessels.

Aid Non-Subsidized Operators

(3) Authorization of reserves for new construction. This plan would permit non-subsidized vessel operators to place earnings in a special reserve fund on a tax deferred basis and use them for new construction.

(4) Accelerated amortization of new vessels. Officials do not believe the new tax law, although of some help, permits operators to write off expenditures fast enough to give much stimulus to vessel construction.

(5) Additional vessel construction subsidies which would provide a differential subsidy to United States-flag vessels constructed in American shipyards. The plan calls for determination of construction subsidy rates by major types of vessels; audit of construction subsidy rates approved by the Board prior to their use, and clarification of existing statutes.

(6) Government ship mortgage insurance. New amendments to Title XI providing more liberal insurance for private ship mortgages are not believed fully meeting the needs of the construction program. Maritime officials want additional measures to further encourage private financing of new ship construction.

Prefabs May Send Government Out of Housing

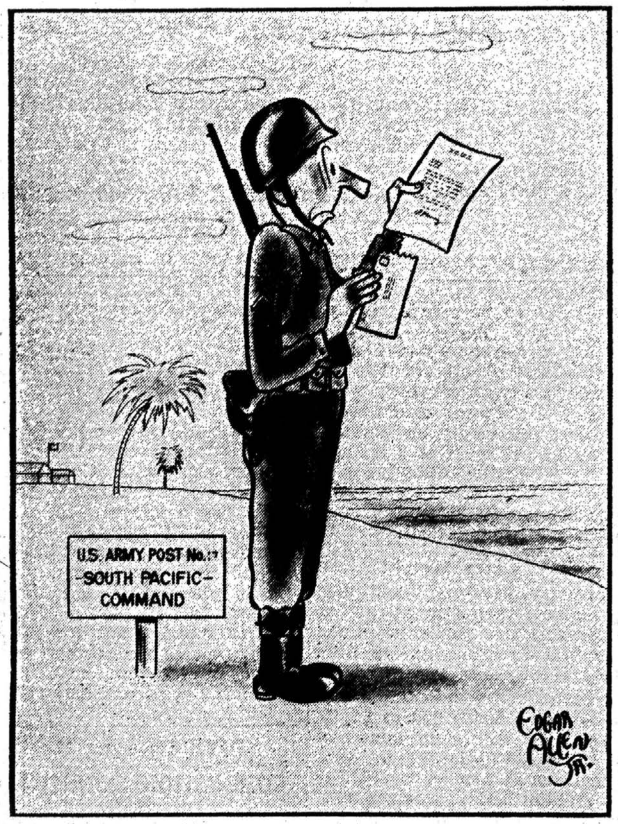
Prefabricated housing industry, booming along with the rest of the construction business, may provide the impetus to bring a gradual withdrawal of Federal agencies from the low-cost housing field.

Prefabrication, coming into ever widening use by developers, is providing reasonably livable housing at moderate costs. Coupled with relaxed Federal Housing Administration and Veterans Administration financing regulations, the industry could in a few years supplant government-constructed low cost housing now running at the rate of 35,000 units a year.

Last year, the prefab industry put up and sold some 75,000 units. In the coming year, the industry expects to come close to 90,000 units. Federal Housing Chief Albert W. Cole agrees that prefabs will in the future be used as a prime argument in reducing government subsidy and special support programs to the low-cost housing market.

(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



"Dear Mr. Twittle—We hope you haven't lost your interest in over-the-counter securities—Wouldn't you like to drop over to our Wall Street office today or tomorrow? . . ."

Business Man's Bookshelf

Facts and Figures on Government Finance 1954-1955 — The Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y. (paper), $2.

How to Put "Life" in Your Stock Portfolio — Ira U. Cobleigh — Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.— $1.

Killing in Uranium, A. — Ira U. Cobleigh — Duval's consensus, Inc., 41-43 Crescent Street, Long Island City 1, N. Y. (paper), $2.

Stock Market Crash of 1929 — James Crane Kellogg, III, and William E. Downey—J. C. Kellogg Foundation, 42 Aberdeen Road, Elizabeth, N. J. (paper).

Wanted: More Owners of American Business—Keith Funston—Text of the Dickinson Lectures delivered by Mr. Funston at Graduate School of Business Administration, Harvard University, — Graduate School of Business Administration, Harvard University, Boston, Mass. cloth), $1.50.