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A Merry Christmas

The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

As We See It

Several of the elements of the legislative program apparently being formulated in Washington appear to make strange bedfellows. The zest for further economies appears to have declined in recent months, and only higher taxes or at the least action to prevent scheduled tax reductions taking place will prevent a substantial deficit. Even at best, apparently, outlays will exceed revenues by several billion dollars. If Congress refuses to hew closely to the line the deficit may well be quite substantial.

The volume of business has of late been improving on a broad front, and the advisers in and around the Administration give every indication of expecting substantially greater gains in the year ahead. Some tendency on the part of the politicians to claim that it was "planned that way" is already in evidence. At any rate, more than one expression of satisfaction with the way business is going now have been heard in high quarters during the past few months. The situation has even reached a stage where the Federal Reserve has felt called upon to make some minor adjustment in the program of "active ease" about which we have been hearing so much for a year or more. The stock market has been moving up in a way to attract wide attention and to cause some uneasiness here and there throughout the business world. These doubts may or may not be warranted, but they exist in Washington as well as in business circles.

Yet the program that is shaping up in Washington includes a number of measures which have

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Role of Credit and Monetary Policy in the Economy

By WILLIAM McCHESNEY MARTIN, JR.*
Chairman, Board of Governors,
The Federal Reserve System

Federal Reserve Chairman, speaking extemporaneously, holds in formulating a credit and monetary program that will be properly attuned to future economic needs, there are three requirements: (1) painstaking search for all relevant facts on the economic and financial outlook; (2) careful interpretation of these facts, and (3) humility with respect to any emerging situation. Says getting a perfect garment for the future may require several fittings and alterations. Lauds Reserve-Treasury Accord of 1951, and favors a flexible credit and monetary policy.

I am rather fond of recalling the time when my name went up to take the post which I now occupy. I thought at the time that it was a responsibility, but it wasn't until after my name had actually gone up that the seriousness of it hit me hard. A Senator with whom I was acquainted called me late in afternoon and said "There may be some opposition to your confirmation. After all, there has been a disagreement between the Treasury and the Federal Reserve. You have been in the Treasury. Some people will think you are a stooge for the Treasury, and I would like you to jot down on a piece of paper what your qualifications are for this post which you are assuming, because I would like to be prepared to answer your critics in the morning." And I lightly said, "Well, I'll go to work on it." I had written a good many promotions for the Army, so I knew how it was done, and I started to write my qualifications. And, gentlemen, if you ever want to


W. McC. Martin, Jr.

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*Remarks of Mr. Martin at a luncheon of the Bond Club of New York, New York City, Dec. 15, 1954.

Trends in Bank Investments And Financial Structures

By EDWARD MARCUS
Assistant Professor of Economics
Brooklyn College, New York

Prof. Marcus discusses quantitatively the extent of the geographical shifts in banking growth in the last 25 years. Calls attention to marked shifts in banking growth from the Northeast to the Far West. Sets forth the asset and deposit liability of banks in the various geographical areas, and the relative proportion of their government bond holdings to their commercial loans. Says geographical shifts in bank assets and labilities reflects the varying prosperity of the different regions, and points out most distortions in individual bank statements, resulting from World War II, have been eliminated.

In the years since 1929 the banking system has been subjected to the forces unleashed by the great depression of the thirties, wartime financing, and the postwar boom. The first two increased the importance of the government sector, in response to deficit financing during the New Deal and wartime years. After the end of the Second World War, however, a reverse movement set in, and by 1954 had restored the position of the commercial sector to about where it had been in 1939.

Geographically, there has been a marked shift from the Northeast to the Far West, with the Dallas and San Francisco Federal Reserve Districts showing the most outstanding growth, a reflection of the greater prosperity in those areas. Within each district the country banks, which had lost ground during the rural depression of the thirties, gained much more than did the reserve and central reserve city banks during the agricultural


Edward Marcus

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 37.

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.)

HENRY BEECKEN*
Former Security Analyst,
Head of Henry Beecken & Associates,
Aviation Consultants, Wash., D. C.

Capital Airlines:

The period of transition from war to postwar operations was not a particularly profitable one for most airlines, but for Capital Airlines (formerly named Pennsylvania Central Airlines) it was almost catastrophic. One must understand this unfortunate past to appreciate Capital's prospects for the future. Losses amounted to $3 million in 1946, a tremendous figure for a company of its size. The loss in 1947 would have been another $3 million if the government hadn't stepped in with a substantial boost in subsidy mail pay. Even so the loss was very substantial for that year and the stockholders' equity was wiped out and became a negative figure on the books.


Henry Beecken

Meanwhile, its securities tumbled in market value, interest on its $10 million income debentures was deferred in 1947 and 1948 and the company was in trouble with the banks holding over $4 million of additional debt. At the low in 1948, with approximately 7% of accumulated interest, the debentures sold at 35¾. Plans for the purchase of a modern postwar built fleet had to be abandoned and orders for such equipment canceled.

Through retrenchment, close cost control, aggressive sales efforts and with the aid of substantial government subsidy, new top management was able to hold the loss in 1948 to a negligible figure, and move to a profit in 1949. Subsidy needs were reduced in ensuing years and during the last three years the company has made a good profit without subsidy.

The financial condition has similarly shown tremendous improvement. Practically all of the debenture debt has been eliminated and the bank loans incurred in 1946 have long been paid off. As of Sept. 30 the company had $6 million in cash, and net current assets were close to $5 million. The net book value of the stock has risen from a negative figure in 1947 to $15.20 as of Sept. 30, 1954.

Earnings for the 12 months to Sept. 30, 1954 were $1.77 per share. In the last quarter of this year the company had a capital gain through an equipment trade which will net about 45c per share. Total earnings for the year will be in excess of $2.25. This equipment trade will not be completed until about the middle of next year so another $2.70 per share in capital gains is all lined up for 1955.

Capital's present fleet is antiquated, which puts it at a competitive disadvantage over most of its system. It has long been known that Capital had to modernize their fleet or lose out in the long run, but it has never been known how Capital could possibly finance such a program. Modern air transports cost a great deal of money and Capital needs a great many airplanes. With a stockholders' equity of only $12 million, Capital, under ordinary conditions, is not in a position to borrow much money. However, Capital has been able to solve this problem in a deal that can only be called "amazing."

The British, who have been the "Queen of the Seas" in the construction of sea going vessels, would like to become "Queen of the Air" in the production of air transports. To this end they have devoted considerable time and money in research and development of turbo-jet and turbo-prop engines and in transport aircraft powered thereby. They now have for sale the "Viscount," a four-turbo-prop aircraft designed primarily for short haul work, a type ideal for Capital's short haul operation. To further their ends they are willing to provide truly amazing financing arrangements, also an ideal set-up for Capital. Thus we have here a producer with an attractive product, extremely anxious to sell and willing to provide the most liberal terms. Then we have a prospective purchaser in bad need for the product but with poor credit. They have wooed and they have wed and it looks like an ideal marriage.

In their deal with the British (Vickers-Armstrong and Rolls-Royce) Capital is buying 60 Viscounts at a cost of $67 million without any down payment. In addition the manufacturers of the aircraft and engines are setting up supply depots convenient to Capital's maintenance base in Washington. Ordinarily a carrier has to keep a spare parts inventory equivalent to about 15% of the cost of the airplanes. In this case that would mean another $10 million and the British are in effect financing this amount without cost to Capital. Capital is to pay off this loan over a five-year period starting as each airplane is received. The interest rate is the Bank of England's rediscount rate, currently 3%, plus 1¾%.

Those who have flown the Viscount, which has been in use by British European Airlines for close to two years, are most enthusiastic about it. The turbo-prop engines impart practically no vibration to the airplane, a great improvement over piston engine powered aircraft of modern design. The noise level inside the airplane is also much lower than in the aircraft presently in use in this country. The windows are double the ordinary size and the pressurization of the cabin is considered exceptionally good. Speed is another important feature. It cruises at about 335 miles per hour, substantially faster than all transports now in use except the DC-7 and Super-Constellation. All in all the Viscount has great passenger appeal. When Capital gets them in service they will move from operating a fleet competitively several years behind to a fleet many years ahead of their competitors.

There are many facets of interest in the Capital situation. This Viscount development for Capital is the most important of several reasons why I like the stock at its present price. It is certainly nothing for widows and orphans but is considered an outstandingly good speculation.

Capital Airlines common stock is listed on the New York Stock Exchange and is currently selling at about 23.

*Henry Beecken has recently published a "Financial Study of the Domestic Air Lines Industry."

ALBERT H. DEUBLE
President, Yorkville Exchange Co.,
Inc., New York City
Members of NASD

German Dollar Bonds

Why should duly validated German dollar bonds yield between 6 and almost 7% while Belgium Dutch, Danish and Norwegian obligations bring only 4-4½%? There seems to be no justification for such a spread, neither from the economic nor from the political viewpoint. Of course, the German rearmament program will raise new and serious questions for the German economy but Uncle Sam will do everything in his power to ease the strain.


Albert H. Deuble

There are three groups of West German bonds which deserve the attention of income-conscious American investors:

(1) Those bonds, issued by the West German Government, with a permanently established current interest rate, e.g.:

German 5½s of 1969, at 85.
German 5s, of 1980, at 77.
German 3s of 1972, at 58.
German 3s of 1963, at 72 (only eight years to maturity).

(2) Especially attractive appear those West German bonds where settlement offers have still to be made or are in the making. Fair or even generous offers may be expected in the near future. Some of these offers indicate that for the old defaulted bonds sums up to $2,000 may be realized for each old $1,000 bond. At present many of these securities are obtainable between 140 and 160%. There is a large selection in this group but I mention only a few of the better known:

Bavaria 6½s of 1945, at 134.
Good Hope Steel 7s of 1945, at 160.
Hamburg Free State 6s of 1946, at 131.
Ilseder Steel 6s of 1948, at 159.

(3) Internal German bonds: With German stock markets booming and foreign buyers playing a very important part we find that the yield on German stocks is steadily falling and amount in many cases to only about 3% while internal bonds of prime enterprises (issued in Deutsche Marks) bring between 7½ and 8%. These bonds offer an additional advantage: The German authorities do not tax the interest payment on these bonds, the income is transferrable to the United States but is, of course, subject to our taxes. Furthermore, the necessary marks can be obtained at a small discount. The following deserve attention: Harpener Bergbau, Robert Bosch, Deutsche Erdoel and ESSO, all due between 1960 and 1969, with coupons of 8%.

The transfer problem, which led to the original defaults, has completely disappeared. German exports to the U. S. and Canada

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Federal Reserve Policy and Government Bond Holdings

By LEROY F. WINTERHALTER*
Assistant Vice-President
The First National Bank of Chicago

Pointing out that Treasury refunding operations have provided opportunities for banks to extend their maturities of government bond holdings, Mr. Winterhalter suggests, however, banks with longer maturities exchange these for 1957-58 maturities. Urges banks keep well informed in regard to Federal Reserve policy, and foresees likelihood of Treasury looking to other areas than banks in extending maturities in refunding operations.

The many and complex problems confronting the manager of a government bond portfolio today are a challenge both to his ingenuity and his ability successfully to solve these problems. As you gentlemen well know, in recent years we have experienced fluctuations in government bond quotations that would have been considered fantastic a decade ago. For several years a fluctuation of 10 points in the price of a government bond was unheard of, although it has occurred frequently in many issues during the past two years. As a result, we have become somewhat accustomed to these violent swings and we now find it necessary, although often painful, to take them in stride. This situation, therefore, makes it almost mandatory to keep abreast of developments both in our economic picture and in the policies of our fiscal authorities, as changes in these two areas have a very definite impact on the trend of interest rates. Firming interest rates will, of course, be reflected in lower bond prices while the reverse will be true in a period of easing rates. Economic activity and fiscal management are closely inter-related, and the able leadership in our fiscal agencies will, I am sure, result in fiscal policies in close harmony with general economic conditions.

L. F. Winterhalter

I am confining my remarks to the government bond section of the market but feel that there can be little question that the government market, in a major degree, sets the rate patterns for other types of securities. It seems to me that opinions and policies formulated with respect to the government list might well be expected to apply to corporates, equipments, etc., although possibly to a lesser extent to Municipal obligations because of their tax-free status.

My topic, Federal Reserve policy, is fundamentally important to a banker in his approach to the formation of an investment program designed to produce the maximum of income with the minimum of risk. The month of March, 1951 bulks high in importance in any discussion of this type because that is the month of the so-called "Treasury-Federal Reserve Accord." It might be worth while to repeat the contents of the joint statement:

"The Treasury and the Federal Reserve System," said the announcement, "have reached full accord with respect to debt management and monetary policies to be pursued in furthering their common purpose to assure the successful financing of the government's requirements and, at the same time, to minimize monetization of the public debt."

Here, in a few well chosen words, monetary history was changed, and the Federal Reserve was freed from the necessity of pumping reserves into an already inflationary economy, thereby defeating its own purpose by stimulating an inflationary over-expansion of the money supply. The principles of a free market were again allowed to operate and interest rates were permitted to increase or decline in relation to economic factors affecting the money supply. Many well-informed people, including a large number of bankers, were apprehensive that panic and financial disaster would result if government bond prices were permitted to go below par. These fears proved groundless and once the forces of supply and demand and of savings and investment were allowed to express themselves in terms of market prices and yields, the unfavorable psychology that pervaded the market was dissipated. We, as bankers, discovered that to manage a government bond portfolio efficiently it was necessary to form our own judgment as to market levels and trends, and not to rely on the Federal Reserve System bids, as had been done in the past.

Credit and Monetary Policy Still Important

Credit and monetary policy, of course, still continue to operate in our fiscal system, and Federal Reserve policy has been alert to shifting forces in the economy. You will recall that in the latter part of 1952 and in early 1953, strong inflationary measures prevailed, and heavy demands for credit tightened the money market substantially. The excess of demand over the existing supply of credit resulted, as it inevitably will do in such circumstances, in a continued rise in interest rates.

*An address by Mr. Winterhalter at the Bank Correspondent Conference, Chicago, Ill., Dec. 6, 1954.

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Plastics Progress and Profits

By IRA U. COBLEIGH

Enterprise Economist

Containing a brisk account of some of the expanded uses of plastics, plus a brief outline of three growing companies in this fascinating field.

Forty years ago about the only plastic around was celluloid. Remember the celluloid collar, baby rattles, ducks for the bath tub, and those weighted billikins that would spring back vertically when you pushed 'em over? All made of celluloid — light and easily colored, but brittle and highly inflammable. Well we've gone a long way since then—particularly postwar. Starting with toys, ash trays, electric plugs, and small radio cases, we've moved on, especially with the addition of Fiberglas, to fishing poles, pipes of all sizes, luggage, boats, motor car bodies, garage doors and room panels.

Ira U. Cobleigh

The latest reinforced plastics have become competitive, in many cases, with wood, copper, steel and aluminum; and they offer such sought after qualities as resistance to heat, water, weather, chemicals and corrosion; fastness of color and a high weight-to-strength ratio. Further, to those critics of our present enterprise system who complain that production is gravitating to the very big companies, the reinforced plastic trade offers a heartening rebuttal. While it is true that the prime makers of the basic synthetic resins are big boys like **Union Carbide** and **American Cyanamid**, and, of Fiberglas, eminent corporations like **Owens Corning Glass**, the work of designing, pressing, and fabricating the hundreds of end products (a few of which we mentioned above) has fallen mainly to dozens of lively small enterprises characterized by energy, technical ingenuity, and salesmanship. Certainly some among these newer corporations appear to meet most of the qualifications for growth stocks; and should definitely receive the attention of investors possessing the boldness and vision requisite to stock purchase in the earlier phases of corporate life.

Let's sketch for a moment just how a reinforced plastic enterprise gets underway. One or two men or a group with adequate technical background, plenty of sales moxie and enough capital for openers set up a small plant. They decide the sort of reinforced plastics they want to turn out, and can sell, and then usually design a press or presses to fabricate those particular items. Plastics in general are moulded in heat and under pressure. The ingredients are likely to include a synthetic polyester resin, reinforced by Fiberglas. The resin is delivered in liquid form by perhaps Union Carbide or Pittsburgh Plate Glass Co.; while the Fiberglas composed of long strands of glass is delivered in rolls like a long Turkish towel. This is, of course, an over simplification, but gives you a rough idea of this business. The next step, as far as investors are concerned, is when the outfit gets established enough to go after bigger business and needs both larger manufacturing space and equipment, and ample working capital. At that stage a public security offering is usually in order. There have been a number in this industry in the past few years and we'd like to talk about three of them.

Russell Reinforced Plastics Corp. was organized in 1951 to manufacture reinforced fiberglas products including molded aircraft parts and assemblies, panels, and paint buckets. While earlier corporate emphasis was in the aircraft field, Russell has been moving ahead into the building trade with a product called "Tropiglass." This has been applied to translucent walls and doors, to jalousie louvres, for kitchen panels, room dividers, garage doors and snack bars.

To turn out this attractive and expanded line, the company now has a main plant in Lindenhurst, Long Island, and a smaller plant at Boca Raton, Florida. The company's fiscal year ends April 30 and for 1954, net sales showed an impressive gain over 1953 — from $1,108,458 to $1,680,000.

Public financing of Russell Reinforced Plastics was in the form of 50,000 shares of preferred at $5 a share on July 10, 1953. This issue has a 30c dividend rate and is presently convertible into two shares of class A (non-voting) common. This common is now quoted at around $3. Here's an interesting company, apparently growing rapidly. Its operations are nicely summarized in its third annual report, available to you.

Another interesting company is **Lunn Laminates, Incorporated**, dedicated to the molding and fabrication of plastics with "Fiberglas" (the trade marked product of Owens Corning Fiberglas Corp). Among the items turned out by Lunn are the body parts for the Cherolet "Corvette," a Fiberglas bathtub, and a truck body. The company feels that there is a big future in plastic motor bodies, not so much in standard production runs as in station wagons and sport cars. The lighter weight of the plastic is of benefit, and tests have shown plastic to be more dent-proof and better resistant to impacts.

Starting out originally at Glen Cove, N. Y., the company moved to a 32,500 square foot plant at Huntington Station, L. I., and has 15,000 square feet of manufacturing space at the plant of its subsidiary in Ashtabula, Ohio where sport car bodies for the Chevrolet "Corvette" and the Kaiser-Darrin have been produced.

Lunn Laminates Inc. moved its sales ahead quite spectacularly from $1,393,088 for the fiscal year ended April 30, 1953, to $3,544,306 for the year ended April 30, 1954. The advance in net was also most encouraging — from $17,409 to $136,228.

Originally offered at $2 a share the Lunn common now sells around $6. There are 401,546 common shares outstanding plus 45,456 warrants each permitting the holder to buy 1.2 shares at the rate of $1.66⅔ for each full share. The market action (over-the-counter) of Lunn shares has proved most heartening to its over 1,200 shareholders.

Those who have observed the impressive forward motion of Russell and Lunn, notated above, will no doubt be interested in looking into the merits of **Reinforced Plastics Corporation** which recently offered, by prospectus, $295,000 5½% convertible debentures (due Oct. 1, 1960). Usually the investor, in a developing corporation, has to accept the market risks of a common stock while waiting for earning power to develop; but, in this instance, **he is offered a senior security with the repayment date of principal less than five years away, plus a generous conversion option.**

For any and all facts respecting Reinforced Plastics Corporation, you are referred to the offering circular, the source of all official facts. From that it is noteworthy that the company's plant is at Martha's Vineyard, Mass., where low factory rental and high calibre yet low priced labor are favorable factors. The company has on lease 12,000 feet there with 20,000 additional feet of manufacturing space available.

This company carries on, as a Delaware corporation, a business begun in 1951. In addition to developing a fiberglass shock mounting system for shipment of guided missels for the Navy, and a collapsible jettisonable fuel tank for jet planes of U. S. A. F., customers have included Lockheed Aircraft Corp., Farrond Optical Co., Sikorsky Aircraft Corp., American Airlines Inc., Federal Telecommunications Laboratories. Fishing rods and sporting equipment are being made for 11 companies. New lines in prospect include traffic globes, signs and reflectors, which cost less than metal, and possess superior weathering resistance. Another product the company is reported at work on is a dramatic new application of plastics to automotive suspension.

An extensive development and research program has placed the corporation where it now seems ready for expansion and production of a broad line of laminated and molded plastics; and the curren financing is believed to provide the equipment and resources for handling sales output up to $2 million per year. Management is headed by Mr. Burnham Litchfield, President, who brings to his office many years of experience in aviation engineering.

The bond issue, mentioned above, offers unusual provisions for conversion into common. Each $1,000 bond is convertible into 400 shares of stock; and there is in addition 100 shares of common delivered to the buyer, at the total unit subscription price of $1,001. Thus, the would be investor in this enterprise appears to have a dual value presented in the senior position of the bond, and the market potential inherent in 500 shares of common, if, or as the company may develop its earning power. Theoretically each point of advance in the common should increase the unit value by $500.

The State of Trade and Industry

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

A further increase was noted in over-all industrial production the past week, the level being about 3% above that of the corresponding period of 1953.

Gains for last week were recorded in the volume of heavy construction awards and the output of electric power, bituminous coal, crude oil, lumber, paper and paperboard.

Reports on the number of claims filed for unemployment insurance benefits were not so encouraging. Continued claims recorded for the week ended Nov. 27 were 7% higher than in the preceding week and 48% above a year ago. Initial claims in the week ended Dec. 4 rose 25% above the total of the previous week and were 9% below the 1953 comparative.

Manufacturing firms' capital outlays from 1946 through mid-1954 soared to $115,000,000,000. These expenditures were "far in excess of any prior comparable period," United States Department of Commerce reported. About two-thirds of the total went for plant and equipment. Despite the big spending, the net cash position of these companies increased $2,000,000,000 during the period.

Home building in November, as well as requests for government financing of homes, set new highs for the month. Work was begun on 103,000 dwelling units, according to the United States Department of Labor. This was 26% above November, 1953. It represented an "unusually small decline" of 3% from October. For the first 11 months, housing start climbed to 1,122,800—a gain of 19,000 over the total for all 1953.

Sparked by the easier credit terms in the new housing law, applications for mortgage insurance on 52,700 homess were received by the Federal Housing Administration last month. This was 29,000 above November, 1953, though 1,750 less than in October this year. The previous record for November was 46,600 in 1947.

United States car and truck production reached an 85-week peak during the Dec. 13-18 work period as 34 final assembly plants across the nation resorted to overtime, second shifts or Saturday work in 1954's last six-day week, states "Ward's Automotive Reports." It estimated last week's output at 172,249 cars and trucks, only 12% under the all-time weekly high of 196,348 (162,847 cars and 33,501 trucks) hit the week ending June 24, 1950. The past week's total will stand as the top weekly mark of 1954 since most of the industry is turning in only four-and-a-half days' production the next two weeks due to the holidays.

Tallies were bolstered a week ago by extra work tricks at 11 General Motors, 18 Ford Motor Co. and five Chrysler Corp. assembly plants, including Saturday operations at all Chrysler Corp. units, every Ford Motor branch (except the L. M. facility at Los Angeles), six Chevrolet factories and Cadillac.

Actually, Dec. 13-18 output will run less than 1% above the output of two weeks ago at 170,723 units, despite increased car yields by Chevrolet, Oldsmobile, Plymouth, Dodge, DeSoto, Chrysler, Ford, Mercury, Willys and Packard. These gains were nullified by two and three week shutdowns, which began the past week at Hudson, Nash and Studebaker at South Bend. Studebaker will resume truck erecting on Dec. 27, 1954, the same day that Hudson and Nash return. At that time Willys will go down five days for annual inventory.

The Independents were expected to take only .9% of last week's car volume, compared to 3.6% a week earlier and 7.7% in the same period a year ago. GM, meanwhile will account for 48.6% of Dec. 13-18 car manufacture, against 47.2% a week ago and 49.7% in the corresponding 1953 week. Ford was expected to take 27.6% the past week, compared to 26.8% in the preceding week and 21.2% in the same 1953 work period. In these same weeks, Chrysler Corp. wrapped up 22.9%, 22.4% and 21.4%.

On Wednesday (Dec. 22- the 1,000,000th truck of 1954 was constructed, marking the eighth consecutive postwar year that truck erecting has reached that level. In the prewar period, the milestone was attained only in 1941, and then mostly because of the possibility of United States entry into World War II.

Thus far in 1954 United States car and truck production is trailing 1953 by some 12.8%. Car assembly is down 12.4% and truck making 15.4%.

Steel Output Scheduled to Drop Due to Christmas Holiday

The urge to get as many automobiles as possible off the production line in the next three or four months is adding strength

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Observations . . .

By A. WILFRED MAY

BLUE CHIP-ITIS AND THE MARKET'S FINANCING INADEQUACY

Two timely and authoritative analyses coming to hand shed important light on the structure of the stock market, the functioning of the Exchange, the latter's relationship to the investing public, and the stock market in its relationship to the general economy. One of these constitutes a brief volume, *WANTED: MORE OWNERS OF AMERICAN BUSINESS*, by Keith Funston, President of the N. Y. S. E.; embodying the text of two Dickinson lectures delivered at Harvard University's School of Business Administration. The other pertinent observation worthy of attention reveals original data on distribution of stock ownership painstakingly compiled by Harold Clayton, economist for Hemphill, Noyes & Company, members of the New York Stock Exchange.


A. Wilfred May

President Funston fully discusses the future capital needs of American business and how that demand may be satisfied within the framework of both traditional and new sources.

Pointing out that our ability to finance expansion, and the amount of debt we can prudently add to our corporate structure, depend on the base of equity capital, Mr. Funston concludes that "equity capital—the ownership capital provided by common and preferred stocks—is the foundation upon which our entire corporate financial structure rests."

Common Stock Financing Insufficient

But the role of the common stock in supplying *new* corporate funds has been woefully insufficient. Mr. Funston cites the fact that only 8% of such moneys are provided by stock financing; and that for every dollar raised by new stock issues, industry has gone into debt by almost $3, and has furnished about $9 from retained earnings and depreciation reserves.

The Exchange President believes that the flow of outside equity capital should be trebled, from the postwar average of $2 billion a year to $5 or $6 billion—linking this to his manifestation of current expansionist philosophy as follows:

"Over the long run, American business will have to maintain its rate of capital expenditure at, or even above, today's level if it is to meet the needs of our growing population, to continue to improve our standard of living, and to insure our continued position as leader of the free world."

Mr. Funston believes this goal can be reached by increasing the number of direct shareowners by encouraging new stock investment by millions of financially able Americans; by increasing the direct ownership stake of existing shareowners through further stock purchases; and by increasing the indirect ownership of corporate stock, both in the number of indirect owners and the size of their holdings, through further institutional investment.

Only the last-mentioned instrumentality seems to be on the permanent up-grade of effectiveness. Mr. Funston says: "In 1953 for every dollar of savings used by individuals to purchase stock directly, $20 of savings flowed into such financial institutions as banks and savings and loan associations, private insurance companies, and pension funds."

Holdings of Institutions and Other Heavy Investors

This increase of, as well as concentration in, stockholdings by institutions along with other big holders, is demonstrated in careful detail in a contemporary study by Mr. Harold Clayton. Encompassing 1,043 of the 1,071 common stock issues on the New York Stock Exchange, and 3,002,188,000 of the 3,005,000,000 listed shares, he shows that in the case of only a quarter of the listed companies, do individual investors other than the insiders hold as much as 70% of the outstanding shares. Of the total shares outstanding, institutions hold 182,752,000; officers, directors and their associates, 174,456,500, and other large holders 201,578.000.

The colleges own 457 issues, the foundations 98, the insurance companies 727, and the investment trusts 836 issues.

A grand total of 19% of all stocks are so concentrated (that is, with institutions, officers, directors, and their associates). In addition, an estimated total of 19-20% is held by banks' trust departments.

The actual result of this concentration as a help to the financing problem seems to this reviewer to be nil; and furthermore to enhance the *Blue Chip-itis* character of the market.

For these holders, acting as the managers of other people's money, persistently through bull and bear markets are concentrating more and more on previously outstanding *name issues*, mostly to get self-exculpation from possible investing "mistakes." So, in these channels too the market is growing in its window-dressing selectivity, besides forsaking the financing role.

Outlook for Business and The Stock Market in 1955

By PAUL T. BABSON*

President, United Business Service, Boston, Mass.

As grounds for predicting a modest business upturn in coming year, Mr. Babson lists (1) higher construction activity; (2) continued high level of capital investment; (3) the end of inventory liquidation; (4) moderate decline in the rate of public savings; and (5) the general and widespread feeling of optimism among business men and the public. Says general trend of stock market will be upward, but within narrower range than in 1954. Gives statistical data on economic trends, and forecasts commodity price stability.

Again—as in years past—I believe it will be helpful to review, very briefly, some of the predictions made last year, as a sort of background for this year's forecasts.

In general—as I am sure many of you will remember—we were rather more bullish last year on the business and investment outlook, than were most other people at that time.

I recall, particularly, that one of our club members came up after the luncheon and said, "Paul, if things are only half as good next year as you are forecasting, I'll be agreeably surprised."—Well, most things have been fully as good as we forecast, and some even better.

On the broad business-trend items, such as *Industrial Production, Retail Trade, Employment* and total *Business Volume*, we were pretty close to the "bull's eye" with moderate declines taking place just about as we forecast. We were *too optimistic* in our estimate of *Steel* production and this is a little hard to understand, because our figures on *automobile* and truck production were right on the nose, and we *underestimated Building*—both large users of steel. I guess there must have been some concealed inventories of steel and steel products that we just didn't know anything about.

Coming back to building for a moment, I can only say that we just couldn't believe the industry would continue with so much vigor—in practically all divisions. On the residential side, a combination of cheap money, the new Housing Act, growing families and the rapid growth of new communities and suburban areas lifted the dollar figures to a new all-time high. That, we didn't foresee.

On *Commodity Prices*, the "slight" decline we forecast was even *slighter* than we expected. Again, we were right on trend, but a little off on degree. Our forecasts on Credit Conditions, Agriculture, and Foreign Trade were about as close to the target as anyone could reasonably expect.

On the financial and investment items, we were about right on *Earnings*, a little low on *Dividend* payments and pretty good on *Money Rates*. As usual, the *Bond Market* gave us some trouble, but at least we called the rising price trend correctly.

On the *Stock Market*, all I can say is—*"The darn thing got away from us."* We forecast *higher* stock prices—and to that extent we were right. But we didn't think they would go *so far so fast*. Our last December's forecast called for a top of 300 on the D-J Industrial Average. This we revised to 350 in our Semi-Annual forecast last June, and now the figure is 392—"How far behind can you get, and still be in the procession." All we can claim here is that we were right on the *up-trend*, and thank goodness, we kept our clients well invested in common stocks throughout the year.

Well, that's about enough past history, but before getting into the Outlook for 1955, I want to refresh your memories on how these forecasts are prepared. First, let me make it clear that they are not *my* forecasts, in the sense of being merely personal opinions.

They are the product of our entire "United Business Service" organization, and are made up by following the "United Opinion Method," which we have used for many years. There is nothing mysterious or complicated about this method—it is a simple three-step procedure, that works like this:

First—Independent opinions are formed by qualified members of our staff. These judgments are based on careful individual study and research.

Second — These opinions are checked against those of the country's leading authorities—giving weight to each in accordance with past records for reliability on the

Continued on page 32

*A talk by Mr. Babson before the Executive Club of Greater Boston, Boston, Mass., Dec. 7, 1954.

The Progress of the Aviation Industry

By R. A. LAMBETH*
Vice-President and Treasurer
North American Aviation, Inc.

Mr. Lambeth explains the background and unusual aspects of the aviation industry, and notes its progress during the last half century. Says growth of aviation in past 20 years has been almost beyond belief, yet, as regards air transportation, it is only a beginning. Stresses importance of research in aircraft development, and points out production equipment required to build aircraft is becoming more costly. Says industry is subject to uncertainties of government procurement.

Less than a year ago, on Dec. 17, 1953, the nation celebrated the 50th anniversary of the first successful power-driven flight in a heavier-than-air vehicle. Orville Wright, the younger of the famous brothers who made these first flights at Kitty Hawk, N. C., lived to see his invention turn the tide of battle against Hitler in World War II. He died just six years ago.

R. A. Lambeth

Except for the interlude of the first world war, during which a considerable production effort was made, there was not much of an industry associated with aviation for the first three decades of the 50 years. Air transportation was in its infancy. Manufacturing was on a very small scale to supply the requirements of the transportation firms and the military air services. Most of the large firms which today make up the aircraft manufacturing industry got their start in the early '30s, and I think that in those days almost all of them fell within the classification that we now refer to as "small business."

In connection with the early struggles of the industry, I want to mention something that has been pretty fundamental to the aviation business since its beginning. In those early years, with lots of problems to overcome, both technical and financial, the industry was attractive only to a special breed of men. They were men who had seen the same vision of man's conquest of the air that has touched human imagination down through the ages. They were men who believed in flying, not with the idle fancy of dreamers, but with the practical fervor of engineers and builders and pilots. In my opinion, the rapid technical progress that we have made in the air and the rapid growth of the aviation industry were vitally affected by this intangible factor. For lack of a better name, we can call it the romance of flight, and it is still working just as strongly today as it was when a young man named Charles Lindbergh flew the Atlantic in 1927. If you doubt this, look into the eyes of your youngsters as they glance upward at a passing plane.

Getting back to my narrative, in the year 1934, just 20 years ago, the airlines of this country flew a total of 326 million passenger miles. The aircraft manufacturing industry in that same year employed about 10,000 people and did an annual business of about $50 million. In the year 1954, 20 years later, there are at least 10 airlines that are *each* flying more passenger miles than the U. S. total for 1934, and the five largest of these great airlines will probably *each* fly 10 times the U. S. total for 1934. On the manufacturing side, employment at the present time in the aircraft and parts industry is about 800,000, representing an 80-fold increase over 1934. In terms of sales, each of the five or six largest manufacturing firms is probably exceeding every month the total sales of the entire U. S. aircraft industry in the year 1934. I understand that the aircraft manufacturing industry is now the largest employer in the nation, having passed the automotive industry in this measure some months ago.

Fabulous Growth of Aviation

The growth of aviation in the past 20 years has been almost beyond belief, as these comparisons indicate. Furthermore, at least insofar as air transportation is concerned, this is only the beginning. From here on I'm going to devote my remarks to the manufacturing end of the aviation business, because that is what I am concerned with, but I must say in passing that the achievements and future potential of air transportation make a great story that you should hear firsthand. Since Chicago is the hub of most of the nation's major air networks, that should not be difficult to arrange.

The major growth of the aircraft manufacturing industry occurred, of course, as a result of military requirements. In 1939, when war broke out in Europe, the U. S. aircraft and parts industry employed some 60,000 persons. Four years later, at the peak of our war production effort in 1943, the industry with all of its supporting elements was employing a grand total of more than two million men and women. At the low point after World War II, employment dropped sharply to about 200,000, but since the outbreak of war in Korea it has increased more or less steadily to the present total of about 800,000.

With this broad picture established, let me now narrow the field down a bit by telling you what a manufacturing company like North American is and how it fits into the total picture of aircraft manufacturing. Let's consider the case of a typical procurement program by the U. S. Government as our example.

Assume that Uncle Sam decides to buy a new jet fighter. As the first step, the service would probably invite each of the U. S. aircraft companies that was qualified in jet fighter technology and production to submit its best design to meet the particular set of performance requirements that the service had established. The individual aircraft companies would then get busy and prepare their design and cost proposals. In effect each would strive to come up with the best possible combination of airplane, engine, armament, and other equipment to do the job required. These design proposals would then be submitted by the individual companies for evaluation by the Government.

After the Government has carefully reviewed the competitive design proposals and selected the most promising, it would presumably award a development type contract to one or more of the companies with the most satisfactory designs. This contract would permit engineering and experimental construction of perhaps two or three test units of the proposed design. The responsibility of the aircraft company in this program, as in all succeeding production phases, includes the overall design, fabrication of the airplane structure, assembly of the complete airplane, and demonstration and testing of the complete airplane. The company normally does not supply certain major items of equipment. These items, such as engines, armament, radio, and so forth, are purchased direct from their manufacturers by the Government and are furnished to the aircraft company for installation in the airplane.

Carrying on the sequence of a typical procurement, at some point in the experimental development program, if the design still appears promising, the Government would award a production contract. Then the company would proceed with detailed production engineering, construction of necessary special tooling, and finally actual fabrication and testing of the production model.

It is quite important to an understanding of the airplane business that you realize the time span involved in this development and production sequence. Starting with the notice of a design competition, it might take a year or more before the design proposals are completed and evaluated and an experimental contract awarded. Allow at least another year for construction of the experimental model. Then allow two years for all the engineering and development work necessary to perfect the new design and get it into full production. Add these up and you see that a minimum of four years must elapse between the proposal stage and the delivery of operational quantities to the Air Force or Navy. To the Government and to each of you as citizens and taxpayers, this means that the nation's security in the air at any given time is dependent upon decisions and appropriations made four or five years ago. To the individual aircraft companies it means that engineering success or failure today is casting the die for sales and earnings five years or more in the future.

Let me give you a few examples of how this development time span operates. During the entire period of our participation in World War II, almost four years, no American plane got into combat which had not been already designed and flying, at least in experimental form, prior to Pearl Harbor. As a more recent exam-

Continued on page 34

*Part of address by Mr. Lambeth before the Women's Finance Forum of America, Chicago, Illinois.

A Christmas Editorial

By ALEXANDER WILSON

Is Santa Claus a Fraud?

Since time immemorial dear old Santa Claus has been the cherished idol of children, dispensing from his magic bag largesse of toys, dolls and goodies dear to the hearts of little children—boys and girls, of course, who are good, or at least especially circumspect, around Christmastime, and also to those older boys and girls who, like Peter Pan, have never grown up.

I yield to no one in my conviction that Santa Claus is a reflection of all that is good, benevolent and generous, to young and old, to rich and poor, to great-bodies and to nobodies, in this truculent, upset world of ours!

True, to some people who have not been blessed with much imagination, Santa Claus may be only a commercialized myth and not a flesh-and-blood personage. But who will deny that the jolly old gentleman is one of the most delightful personalities ever conceived in the minds and hearts of children, little and big!

Who is there that is not witness to the fact that Santa's mystical presence and kindly actions **have never seared the soul of a single child**, but has bestowed his jollity and goodness in the breast of every man, woman and child who would just "make believe."

For without imagination—fairy tales, romance, love, wedded bliss and poetic instincts—this old drab and prosaic world would be poor indeed.

I am persuaded that everybody who yields allegiance to this beautiful myth is a thousand times better off and happier with his dreams, air castles, fancies, and the imaginings of the young in heart than those poor lost souls who cling to their materialistic realities.

It takes imagination to penetrate the mysteries of nature, the skies, the constellations and the innermost secrets of the earth. Yes, it is man's imagination which has built empires and nations, and implanted the spirit of freedom in our own beloved United States of America. It is imagination which has created the great paintings, written the great plays and operas, and given voice to the divine spirit of poesy. And it is through imagination that man has explored the unknown and wrested from nature the secrets which have made possible the wonders of modern mechanical progress. Imagination can truthfully be said to be responsible in great part for man's most notable achievements in all departments of life.

If imagination is as positive a force and inspiration in our lives as I have described, then there is nothing more real and vital in the lives of little children, yesterday, today and tomorrow, than Santa Claus, and there is nothing more real than the millions of loving **Fathers and Mothers who are veritable Santas to their loved ones all year round.**

Anyone, everyone, who makes one of God's children happier with a smile, a kiss, a caress of love, or who shares friendship and human kindness with a distressed and deserving stranger, is a Santa in fact as well in fancy.

So please, let us enjoy our idiosyncrasies and simplicities, if you choose to call them that, and leave us that God-given gift of imagination, so that we can build our aircastles, strive for our ideals, and indulge our ambitions, even if they be never completely realized, for these precious things of the heart and spirit add poetry and serenity to the existence of old and young alike.

Let us pray that children will always enjoy their patron saint—dear old Kris Kringle—as well as their Christmas trees laden with tinsel and gold ornaments and gifts from far and near, and sing the age-old carols and participate in everything real and unreal without let or hindrance. Above all, let us not destroy their love of fairy tales, make-believe and Christmas sentimentalities.

In their childish attachment for Santa Claus and what Christmas Day personifies, God's children will not fail to see and understand the Christ Child—Jesus of Nazareth—in the family adoration of Christmas Day festivities, for to their young hearts Santa Claus is not a fraud but a real, living, loving personality, who lifts the spirits of men, women and children up out of the humdrum circumstances of ordinary living and environment.

Let us then, in this atomic age, put aside our forebodings on Christmas Day to worship the Prince of Peace—to venerate the spiritual and moral leader of mankind whose birth we commemorate in song and prayer, and try to persuade ourselves into thinking **that Jesus Christ is the greatest Santa Claus the world has ever known**, who voluntarily made the supreme sacrifice and gave his whole life to humanity, blessing one and all, of every persuasion and clime, with His forgiving and unselfish life, His bountiful love and His undying faith.

(This editorial is respectfully dedicated to the late Berkeley Williams, of Richmond, Virginia, a friend to all men, a lover of the young in heart, and a Christian gentleman at all times and places, who inspired this Christmas piece before his sudden demise, Nov. 29, 1954.)

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue — December 22, 1954

$335,000,000

Power Authority of the State of New York

General Revenue Bonds, Series A

Interest exempt, in the opinion of Messrs. Hawkins, Delafield & Wood and of Messrs. Wood, King & Dawson, bond counsel to the Authority and to the Underwriters, respectively, under the existing statute and court decisions from Federal income taxes, and under existing statutes from New York State income tax.

$268,000,000 3.20% Bonds, due January 1, 1995

Price 100%

$67,000,000 Serial Bonds

Principal amount	Due January 1	Interest rate	Price or yield	Principal amount	Due January 1	Interest rate	Price or yield
$4,800,000	1965	2.10%	100	$5,600,000	1971	2.60%	2.55%
5,000,000	1966	2.20	100	6,000,000	1972	2.60	100
5,000,000	1967	2.30	100	6,000,000	1973	2.70	2.65%
5,300,000	1968	2.40	100	6,100,000	1974	2.70	100
5,400,000	1969	2.50	2.45%	6,200,000	1975	2.75	100
5,400,000	1970	2.50	100	6,200,000	1976	2.75	100

Accrued interest from January 1, 1955 is to be added to the prices.

The Bonds are subject to redemption, as a whole or in part, at any time on and after January 1, 1963, as set forth in the Authority's Official Statement.

Copies of the Circular dated December 21, 1954, which contains further information, including the Official Statement of the Authority, may be obtained from such of the undersigned as may legally offer these securities under applicable securities laws. The undersigned are among the Underwriters.

Dillon, Read & Co. Inc. — Halsey, Stuart & Co. Inc.

Lehman Brothers — Harriman Ripley & Co. Incorporated — R. W. Pressprich & Co. — Union Securities Corporation

Blyth & Co., Inc. — Smith, Barney & Co. — Drexel & Co. — Eastman, Dillon & Co. — Glore, Forgan & Co.

Goldman, Sachs & Co. — Kidder, Peabody & Co. — Ladenburg, Thalmann & Co. — Lazard Frères & Co.

Merrill Lynch, Pierce, Fenner & Beane — Stone & Webster Securities Corporation — B. J. Van Ingen & Co. Inc. — White, Weld & Co.

A. C. Allyn and Company Incorporated — Alex. Brown & Sons — C. J. Devine & Co. — Equitable Securities Corporation — Phelps, Fenn & Co.

Salomon Bros. & Hutzler — Shields & Company — Bear, Stearns & Co. — Blair & Co. Incorporated — Estabrook & Co. — Ira Haupt & Co.

Hemphill, Noyes & Co. — Hornblower & Weeks — W. C. Langley & Co. — Lee Higginson Corporation — F. S. Moseley & Co.

Paine, Webber, Jackson & Curtis — L. F. Rothschild & Co. — Dean Witter & Co. — Wood, Struthers & Co. — Adams, McEntee & Co., Inc.

American Securities Corporation — Bache & Co. — Bacon, Stevenson & Co. — Barr Brothers & Co. — A. G. Becker & Co. Incorporated — Dick & Merle-Smith

R. S. Dickson & Company Incorporated — Dominick & Dominick — Francis I. duPont & Co. — Eldredge & Co. Incorporated — First of Michigan Corporation

Geo. B. Gibbons & Company Incorporated — Gregory & Son Incorporated — W. E. Hutton & Co. — Kean, Taylor & Co. — A. M. Kidder & Co. — Carl M. Loeb, Rhoades & Co.

Laurence M. Marks & Co. — W. H. Morton & Co. Incorporated — Reynolds & Co. — Riter & Co. — Roosevelt & Cross Incorporated

Schoellkopf, Hutton & Pomeroy, Inc. — F. S. Smithers & Co. — G. H. Walker & Co. — Chas. E. Weigold & Co. Incorporated — Wertheim & Co.

Allen & Company — Bacon, Whipple & Co. — Baxter, Williams & Co. — William Blair & Company — J. C. Bradford & Co. — Braun, Bosworth & Co. Incorporated

Central Republic Company (Incorporated) — John W. Clarke Incorporated — Coffin & Burr Incorporated — Hallgarten & Co. — Hayden, Stone & Co. — Heller, Bruce & Co. — Hirsch & Co.

The Illinois Company — Aubrey G. Lanston & Co. Incorporated — McDonald & Company — R. H. Moulton & Company — Wm. E. Pollock & Co., Inc.

The Robinson-Humphrey Company, Inc. — Schmidt, Poole, Roberts & Parke — Schwabacher & Co. — Shearson, Hammill & Co.

Stifel, Nicolaus & Company Incorporated — Stroud & Company Incorporated — Tucker, Anthony & Co. — Van Alstyne, Noel & Co. — Weeden & Co. Incorporated

Dealer-Broker Investment Recommendations & Literature

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

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

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

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

Domestic Airline Industry—Financial study, with special reference to **American Airlines, Inc.** and **Capital Airlines, Inc.** —Henry Beecken & Associates, 1333 G Street, N.W., Washington, D. C.

Electric and Gas Utility Company Common Stocks—Tabulation —First Boston Corporation, 100 Broadway, New York 5, N. Y.

Fire & Casualty Insurance—Preview of results for 1954—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Japanese Spinning Companies — Data — in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Latin American Business Highlights—Quarterly publication—Chase National Bank of New York, Pine Street, Corner of Nassau, New York 15, N. Y.

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.**

Oil Stocks — Bulletin — Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

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

* * *

Aluminum Co. of America—Memorandum—Auchincloss, Parker & Redpath, Land Title Building, Philadelphia 10, Pa.

Armour & Company—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Berkshire Gas Co.—Memorandum—J. G. White & Co., 37 Wall Street, New York 5, N. Y.

Birtman Electric Co. — Memorandum — Rogers & Tracy, 120 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Shakespeare Co.**

Canadian Oil Stocks—Discussion of seven low-priced shares—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Chesapeake & Ohio Railway—Brief analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a discussion of **Northwest Airlines** and two selected lists—low priced stocks, and "dollars at a discount" shares.

Consumers Gas Company of Toronto—Review—Ross, Knowles & Co. Ltd., 25 Adelaide Street, West, Toronto 1, Ont., Canada.

Cutler-Hammer, Inc.—Analysis in current issue of "Business & Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Portland General Electric Company.**

Drewrys Ltd., USA, Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Fairchild Engine & Airplane Corp.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Four Corners Uranium Corp.—Memorandum—Campbell, McCarty & Co., Buhl Building, Detroit 26, Mich.

Hayes Industries, Inc.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

R. Hoe & Company, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available are analyses of **Oxford Paper Company** and **Electric Auto-Lite.**

Inland Natural Gas Co. Ltd.—Analysis—Kippen & Company, Inc., 607 St. James Street, West, Montreal, Que., Canada.

Masonite Corporation—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

National Water Problems—Analysis—with special reference to **Wallace & Tiernan,** and **Neptune Meter.** Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Natural Gas In Canada—Review—Nesbitt, Thomson and Company, Ltd., 355 St. James Street, West, Toronto, Ont., Canada. Also available is data on **Inspiration Mining and Development Company Ltd.**

Ogilvie Flour Mills Company, Ltd.—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Pan American World Airways Co.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Planet Corporation — Analysis — Smith, Hague, Noble & Co., Penobscott Building, Detroit 26, Mich.

Riddle Airlines, Inc.—Bulletin—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

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

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Shedd Bartush Foods, Inc.—Review—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

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

Tungsol Electric Inc.—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

United Transit—Bulletin—Clark, Landstreet & Kirkpatrick, 315 Fourth Avenue, North, Nashville 3, Tenn.

F. W. Woolworth Co.—Memorandum—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.

Zonolite Company — Analysis — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is an analysis of **Standard Fruit & Steamship Company.**

Canadian Bank Head Predicts Renewed Business Upswing

Addressing shareholders of the Bank of Montreal in Montreal, Canada on Dec. 6, at the 137th annual meeting, Gordon R. Ball, the President of the Bank, stated that Canada is slowly recovering from the dip in business activity experience during the current year and that an upward swing is in sight.

Gordon Reginald Ball

"What has been noteworthy about the dip in business during the past year is not that it should have occurred, but that it should have been so limited in extent," said Mr. Ball. "We have had a long series of postwar years in which a combination of new and accumulated demands outran even the remarkably rapid expansion of this country's productive capacity. It was only to be expected that the scales would one day be tipped the other way."

Mr. Ball gave reasons why this adverse trend had been checked. First, the underlying buoyancy of Canadian capital expansion, while less pronounced than in recent years, is still evident, he said.

"Secondly, the persistently high rate of population growth and the broader distribution of personal income have probably served to underpin and limit the recent sagging tendencies in demand.

"Thirdly, with a levelling off in the demand for credit, the authorities have followed an appropriate policy of easier money. As a result, market interest rates have declined."

In the fact of diminishing production on this side of the Atlantic, industrial output in most Western European countries had continued to mount to new records, said Mr. Ball. "The sharpened competitive edge of overseas products is cutting into our export markets and into our home market. Keenly as this may be felt by specific industries, it is, objectively viewed, another side of the world-trade expansion that is in Canada's long-term interests.

"High labor costs need not price a product out of the market if the cost per unit of output can be kept low. But the situation does pose a practical problem. The need to increase efficiency and reduce unit costs is a matter in which labor has an interest that is certainly not less than the interest of management."

Young With First Calif.

(Special to The Financial Chronicle)

PASADENA, Cal.—Paul Young has joined the staff of First California Company, 112 South Los Robles Avenue. He was formerly with Walston & Co., Shearson, Hammill & Co. and in the past was an officer of Leo G. MacLaughlin Co.

First California Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Daniel S. Williams has been added to the staff of First California Company, 300 Montgomery Street. He was formerly with H. L. Jamieson & Co.

W. M. Watts Opens

AUBURN, N. Y. — William M. Watts is engaging in a securities business from offices in the Flint Building.

Continued from page 2

The Security I Like Best

set another record in the first nine months: \$240.2 million (1953—\$236.7). For Canada alone the increase was 40%. This quarter is showing a new sharp increase in total exports. Imports are rising too which helps German trade all around. German shipbuilders alone have orders on hand for two or more years.

With German bonds yielding here considerably more than other European obligations there are only two conclusions possible: either the Germans are too low or the others are too high. We consider the Germans too cheap and suggest their purchase by those whose appetite lies in this direction. After all, if anything goes wrong in Europe not only Germany but every other country would be affected. Actually things looked never as bright as now. Therefore: a hearty "Prosit" to the wide range of West German bonds.

Richard R. Thomas

Richard Russell Thomas, partner in W. P. Burke & Co. prior to his retirement a year ago, passed away Dec. 20, at the age of 43.

E. F. Hutton Adds

(Special to The Financial Chronicle)

FRESNO, Calif. — Peter P. Palumbo has been added to the staff of E. F. Hutton & Company, 2044 Tulare Street.

Business Man's Bookshelf

Business and Economic Forecasting—Chamber of Commerce of the United States, Washington 6, D. C., (paper), 50c per copy (quantity discount).

Challenge to Medical Education, The — Robert M. Cunningham, Jr. — Public Affairs Committee, 22 East 38th Street, New York 16, N. Y., (paper), 25c.

Dollars and Sense of Business Films, The—Association of National Advertisers, Inc., 285 Madison Avenue, New York 17, N. Y., (cloth), \$5.00.

Electric Industry: Answers to 28 Questions Frequently Asked — Edison Electric Institute, 420 Lexington Avenue, New York 17, N. Y., (paper).

Financial Study of the Domestic Airline Industry and of American Airlines, Inc. and Capital Airlines, Inc. — Henry Beecken & Associates, 1333 G Street, N. W., Washington, D. C., (paper).

Farmers and the Future

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Asserting a bright future for farming can be best realized under a system which respects freedom of the individual and demands of the individual certain fundamental responsibilities of citizenship, Secretary Benson cites failure of the collective farm system in Russia as indication of the ill effects of regimentation upon agriculture. Points out, though government will continue to aid agriculture, the greater part of the job should, as in the past, be done by the farmers themselves. Sees high level of business activity and holds outlook for agriculture in 1955 is "generally good." Concludes progress is being made in dealing with farm surpluses.

The very fact that farm families are gathered here from all of the 48 states and Puerto Rico is in itself convincing evidence of the determination of our rural people to assume the major role in shaping their own destiny. You would not be here today unless you had faith in the ability of farmers to work toward major objectives through organized efforts.


Ezra Taft Benson

I salute the American Farm Bureau Federation on the occasion of its 36th annual convention. I congratulate your membership and officials upon the addition of nearly 18,000 new members to the rolls during the last year, with more than 1,600,000 farm families now represented through your your dynamic organization.

I might observe that this continued growth has taken place despite the dire predictions of some people who argued that the fortnight stand of your organization on agricultural price support policies would drive many farmers from your ranks. That your courageous position had an opposite effect confirms my long-standing belief in the integrity of our rural people—in their ability to arrive at the right decisions if all of the facts are made available to them.

At your annual convention in Chicago just one year ago, I called upon you to make known clearly and unmistakably your views on farm policy. I said then that the question of "who speaks for the farmers has created more than one argument. But it must be obvious that no one can speak for farmers unless farmers first speak for themselves."

You have spoken for yourselves. In farm homes, in school houses, in public meeting places you gathered in groups of five, 10, a dozen or more families. It is my understanding that approximately 25,000 of such meetings were held. You discussed the pros and cons of pending agricultural legislation and of possible alternatives. You threshed out these problems at the local level, in a democratic way. More than anything else, you sought to develop individual contributions to a program which would offer the best hope of achieving solid prosperity and stability in a world at peace.

Your group discussions in 1953 played an important part in laying the groundwork for what became the Administration's farm policy recommendations to Congress. Your continuing activities this year helped translate this program into law. You may be proud, as I am, of the genuine service you have rendered to the long-term interests of American agriculture. I am deeply grateful to all of you.

We now have basic farm legislation, effective in 1955, which will help to point our agricultural economy in the right direction—toward better balanced production, greater individual freedom for farmers and a higher level of prosperity built upon expanding peacetime markets, rather than upon the shifting sands of war and inflation. This program was not evolved as a miracle drug which would cure overnight all of the ills acquired by our agricultural economy over a period of years. I would be extremely wary of any medicine for which such claims were put forward.

I firmly believe that the Agricultural Act of 1954, as it will be refined from time to time, offers the best possible means of getting agriculture out of the sick ward and back into the sunshine and fresh air where it properly belongs.

A Bright Future for Farming

Farming has a future in this country—a bright future. The role of government must be to help, not hinder, that future. As I see it, American agriculture will come to full flower only under a system which respects the basic freedoms of the individual but also demands of him certain fundamental responsibilities as a citizen. There are no one-way streets in a society such as we have developed here in this choice land. He who would enjoy this freedom must also be prepared to defend it—even to the death.

During recent years it has become fashionable in some quarters to disparage our form of government and the free enterprise system which has made this the greatest nation on the face of the earth. There have been deliberate efforts to set group against group—to convince one segement of the population that it can somehow profit at the expense of another.

Some folks would have us believe that the Federal Treasury is a bottomless grab-bag which never needs to be conserved or replenished. Yet is must be clear to all thinking men that government can distribute only those material things which it first obtains from the people. Many beneficiaries of subsidies also pay for them, directly or indirectly.

The important thing for us to consider, however, is not "we'll get ours because some other group is getting their" but, rather, what is best for the farmer regardless of what others are getting.

The major danger I see in Federal paternalism is that burdensome controls and centralization of authority inevitably go hand-in-hand with subsidies. The larger the financial role of government in any area of private enterprise, the greater the degree of control government exercises over management and operational decisions. I instinctively fear excessive concentration of power in the hands of any man or group of men. It has been said that "power tends to corrupt and absolute power corrupts absolutely."

In the past two decades, through such devices as price and production controls and a variety of marketing restrictions, American farmers have had ample opportunity to try on for size the strait-jacket of government regulation. Most of them did not like the fit.

For more than a year now, we have been endeavoring to point our program toward greater individual freedom. One of the first acts of this Administration was to remove the stifling, bureaucratic wage and price controls which were shackling both farmers and laborers. The housewife no longer has to get in line to buy a roast. A farmer is free to market his own products without having a government inspector peering over his shoulder. And the black market operators who capitalized upon the shortages and confusion engendered by controls are out of business.

We have been learning the hard way what our forbears knew instinctively: that government had best leave to private enterprise those functions which private enterprise is willing to undertake and can most efficiently perform. Through experience and at considerable expense, this nation has rediscovered the vital fact that when government attempts to do what the individual can do for himself, private initiative is undermined, our free institutions suffer and the very moral fiber of our people is weakened.

We might have learned the same lesson at smaller cost by observing the dismal failure of socialism, facism and communism in a score of other countries which went all the way down the road we were beginning to explore.

Federal Farm Bureau Policy

A few days ago I read in one of your publications an excerpt from the policies of the American Farm Bureau Federation. It impressed me deeply and it reminded me again of the marvelous job your organization is doing through its publications and other educational activities in stating the case for true Americanism. I should like to quote this brief statement now:

"Under our free choice system we have more widespread educational and religious opportunity; more and better housing, food and clothing; work fewer hours for our goods and receive better goods in return; and have more services available for all that is possible in any other nation of the world. It is our constant challenge to work vigorously to maintain this system and the freedoms, the spiritual morality, and high standards of living it has provided."

This, I believe, summarizes the blessings which are America's. It sets forth the course we must follow to preserve them. Moreover, it emphasizes again that the future of this nation hinges upon the ability to expand and utilize the production of our vast industrial and agricultural potential. We must strive toward a constantly-broadening distribution of the products of our farms and factories. There in lies the surest, most effective bulwark against the assaults of the "ism" peddlers both within and outside our country.

The failure of the collective farm system in Russia is the classic example of what complete regimentation can do to agriculture. A recent article on this subject indicates that the average Soviet family on a collective farm receives the equivalent of approximately $500 per year, plus some additional payments in food and other products. Five hundred dollars for an entire family! And this in what the Communist rulers describe as the people's paradise.

Little wonder that the police state masters must ever draw tighter the noose which holds their restive subjects.

Although Russia has a vast agricultural potential, governmental mismanagement of national resources has brought famine at worst and a diet of bread and potatoes at best for most of its citizens. How often could a Russian worker enjoy beefsteak when it takes two hours for him to earn enough to buy a single pound of this precious commodity? An American industrial worker earns his pound of beef in just 24 minutes—one-fifth of the time.

There are reportedly some 50 million farm workers on the 94,000 collective farms in Russia. They provide what is by our standards a low level of nutrition for a nation of more than 200 million people. Thus the Russian farm worker produces food and fiber for himself and three or four other people.

In the United States we have approximately 8.5 million farm workers. Each of them turns out enough products to meet his own needs and those of 17 additional persons. This comparison of productivity does not end here, however — for the American farm worker provides his customers with an infinitely more varied and nutritious diet than the average Soviet citizen enjoys.

We have one-third fewer people living on farms now than in 1900. They represent only about 13.5% of our 163 million population. Yet they are providing a greater abundance than ever before for all of us, plus some $3 billion worth of farm commodities for export each year. Even after these vast needs have been satisfied, personal experience qualifies me to observe that there is still some to spare for the government.

Every American shares the unprecedented benefits which our remarkable farm efficiency and productivity have created. Millions of workers who would be engaged in farming in a less efficient agricultural economy have been released to other productive enterprises They are making the automobiles, radios, television and a variety of other goods which contribute to our better living standards.

Maintain a Free and Fluid Economy

We can best insure a continuation of our great progress as a nation by maintaining a free and fluid economy. We must not freeze people in agriculture or in any other occupation. We must preserve our basic freedom to shift to new industries and new pursuits as demands change. A fundamental defect in the high, rigid farm price support program was that it tended to freeze agricultural production into fixed patterns without regard to shifting consumer preferences and demands.

Looking ahead, we may be reasonably certain of two things: first, that the decline in the number of persons living and working on farms will continue, and second, that our farmers will be called upon to produce an ever-increasing amount of food and fiber for our rapidly-growing urban population.

Census projections indicate that there may be 200 million Americans by 1970—an increase of some

Continued on page 32

*An address by Secretary Benson before the American Farm Bureau Federation, New York City, Dec. 15, 1954.

LETTER TO THE EDITOR:

Advocates End of Stock Dividends

Dr. Neil Carothers, Dean Emeritus, School of Business Administration, Lehigh University, says some unwary investors are still being fed the nonsense that stock dividends are income and that they are a trick device for beating the income tax. Holds a stock dividend is merely an increase in the capital stock without increase in assets.

Editor, Commercial and Financial Chronicle:

Last December this writer published in the *Commercial and Financial Chronicle* a letter representing the facts about stock dividends. The writer has no personal interest in the matter. He does confess to an aversion to bad financial practice and to economic error masquerading as truth.

Neil Carothers

The letter had some interesting results. The chief propagandist for stock dividends wrote a letter in reply. The financial editor of a daily paper questioned a part of my presentation and after personal correspondence admitted that he was wrong. At some annual meetings during the year the stockholders asked the directors some embarrassing questions.

But unwary investors are still being fed the nonsense that stock dividends are income and that they are a trick device for beating the income tax. One financial journal actually sells to the public a list of companies which enable stockholders to get "dividends without taxes." And a small minority of corporations continue to issue stock dividends, although the majority of top-drawer corporations would not even consider doing so. It is desirable that further analysis be presented.

First, a restatement of the facts:

(1) A stock dividend is not a dividend, has no relation to dividends, and should not be called a dividend.

(2) A stock dividend is merely an increase in the capital stock without any change in assets, thus being a mere dilution of the stock.

(3) A stock dividend is not income and cannot produce income.

(4) A stock dividend cannot affect income taxes or capital gains taxes.

These facts are not debatable. They are affirmed by the courts and the Internal Revenue Bureau. They are recognized as a matter of course by financial experts.

Since stock dividends have no influence on the property, the income, or the taxes of the stockholder, except to dilute the value of each share while increasing the number of shares proportionally, they obviously do no good and do no harm, economically. A stock dividend economically, is merely a meaningless juggling with shares. It is almost incredible that any person with an elementary contact with finance should assert that a few corporations have found in this juggling of stocks a device for beating the income tax. If stock dividends could reduce taxes every corporation in America would issue stock dividends every year.

If, then, stock dividends are useless and harmless, two questions present themselves: one, why do a few corporations issue them, and, two, what objection is there to such issue? When we answer the first question, we find the answer to the second question.

There are two conditions which lead directors to issue stock dividends. The first is beautifully illustrated by a letter on my desk. It is from the directors of a corporation which has been successful in the past and regularly paid dividends. It is having a very bad year. It has been saved from a ruinous deficit only by a huge carry-back tax credit. Very properly it is passing a dividend. Instead, it is issuing a 2% stock dividend. The letter says that the stock dividend "permits the company to conserve cash." It also says that it "affords" the stockholder "an opportunity to realize an amount in cash by selling the stock dividend." Both these statements are untrue. The company has the same amount of cash before and after the stock dividend. The stockholder is not "afforded" anything. He could sell 2% of his stock at any time.

Why should a company having a bad year issue a worthless stock dividend which merely dilutes the stock? The reason is obvious. Deluded stockholders believe they are receiving something of value.

The second set of conditions which lead to the issue of stock dividends is entirely different. The U. S. Congress has increased taxes on corporation earnings and personal taxes on cash dividends to the point of extortion. There is first an excessive tax on net earnings, more than half. If the remainder of earnings is distributed as cash dividends the stockholders pay an additional personal income tax. This personal tax is very moderate on the taxpayer of small income, very heavy on the rich taxpayer. But earnings after the Federal corporate tax, if kept in the business, pay no tax.

If Congress had deliberately set about the job of finding a tax system vicious and anti-social in its consequences, they could not have improved on the present system. Grossly unfair to corporations as institutions, it presses heavily on rich and poor alike. But it discriminates inexcusably against the poor stockholders, in favor of the rich. If earnings are paid out in cash the wealthy stockholder gets a mere fragment of the total earnings. But if earnings are kept in the corporation—"plowed back"—there is no tax on this reinvested proportion. The earnings plowed back normally increase the assets and therefore the value of the shares. The rich stockholder, who does not need dividends to live on, can wait for the rise in price and take his profits, paying only the small capital gains tax.

Fragmentary dividends and heavy retention of earnings are now all but universal practice, compelled by a bad tax system. Laws to curb the practice have not stopped it. It works excellently for the large stockholders. It is rough on the poor stockholder, who buys stock for income and gets no advantage from capital gains taxes.

Take, for example, U. S. Steel. In 1953 the company had net earnings of $545 million. The Federal corporate tax took $323 million. This left $222 million. The directors plowed back $118½ million. The stockholders finally got $103½ million in cash dividends, only 19% of the net earnings.

Certain companies have adopted a deliberate policy of starvation dividends, plowing back extraordinary percentages. The practice has generated strong resentment among stockholders, enough to give directors concern. So they issue a stock dividend, to keep deluded stockholders from open rebellion.

Thus we have two types of corporations issuing stock dividends. One is the company in difficulties, giving a worthless stock dividend as a substitute for a real dividend. The other is the very prosperous corporation, plowing back excessive amounts and presenting a worthless substitute for real dividends. In both cases we have directors tossing a meatless bone to deluded stockholders.

The impartial observer, looking with an open mind at this comic-opera financial juggling, finds a strange conglomeration of performers. There are, first, the directors, who perform the juggling act. There are, second, the supposed financial experts, who propagandize the notion that stock dividends have some value. There are, third, the financial journals which publish this nonsense. There are, fourth, the officials of the New York Stock Exchange, who publish a regulation which actually says that "stock dividends have been most helpful to shareholders" and then makes a clumsy attempt to control them. There are, fifth, and way down at the bottom, the stockholders, who think they are receiving gifts from bountiful directors.

Stock dividends serve no purpose, do no good. They do some harm. They should be abolished. Large-scale stock splits are another matter. They serve little purpose, but the best opinion finds some justification for them. Only under exceptional conditions can they do any harm. A very simple rule would end stock dividends. Here is the rule:

No new stock shall be issued, unless by sale to the general public, in any amount less than 25% of the outstanding stock. This regulation does not apply to new stock issued in connection with inter-corporation transactions.

NEIL CAROTHERS

Bethlehem, Pa.
Dec. 20, 1954.

Kagan Investing Corp. Formed in Utica

UTICA, N. Y.—Announcement is made of the formation of Hagan Investing Corporation with offices in the First National Bank Building, to act as specialists in over-the-counter securities. Arthur L. Hagan, President of the new firm, was formerly President of Griffith & Hagan, Inc.

NYSE Closed Dec. 24; Will Be Open Dec. 31

The Board of Governors of the New York Stock Exchange at their meeting have announced that the Exchange would not be opened for business on the day before Christmas, Friday, Dec. 24, 1954.

The Exchange will be open for business as usual on Friday, Dec. 31.

Carl M. Loeb, Rhoades Will Admit Partners

On Jan. 1, Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange, will admit Kenrick S. Gillespie to general partnership and Margaret L. Kempner and Carl M. Loeb, Jr., to limited partnership.

John M. Woods

John M. Woods, limited partner in A. G. Edwards & Sons, St. Louis, passed away Dec. 13.

High Cost of Easy Credit

By JOSEPH R. JONES*

President, Savings and Mortgage Division
American Bankers Association
Vice-President, Security-First National Bank
of Los Angeles, Cal.

In stating "we have gone a long way on the path of easy credit in regard to real estate," West Coast banker, though deploring tendency to stress easy loan terms rather than the value of the product, urges bankers lend all proper assistance to provide sound credit to those who wish and are in a position to acquire homes. Warns, however, against further easing of credit terms. Advocates banks should encourage savings. Describes the voluntary Home Mortgage Credit Program to provide financing in small and remote communities, and pictures it as means of eliminating the government from affording mortgage credit. Concludes mortgage credit is at an all-time high.

The great bulk of economists and forecasters say that 1955, or at least the first half of that year, will be a very strong year for real estate. They cite various reasons to support their thinking, including the theory of the progressive expansion of our economy, the probability of action by the Federal Reserve Board to prevent any steep decline in values, the still pent-up demands from restrictions during war periods, the continuation of the increase of savings, and the increase of disposable income. Others are more earthy in their reasons for believing there will be a continuation of the high level of real estate activity. They say that the construction industry is the number one support of our economy and, therefore, it must be maintained at a high level at any cost, even if we must expand credit still further to accomplish this.

Joseph R. Jones

I believe we have gone a long way on the path of easy credit in regard to real estate. If one looks back to the 1930's, with it 50% loans, and compares them with today's available credit, it is quite astounding. We now have 95% FHA loans for 30 years up to $9,000 valuation of property for any citizen, and up to $18,000 for a serviceman. We have 100% GI loans for 30 years for veterans and in some areas even the costs and impounds are added to the purchase price and included in the loan. When the Housing Act was under discussion, serious consideration was given for 40-year maturities.

Long-Term Lonas

A long-term loan is not necessarily an improper credit vehicle. Some of those who have just come out of the service must have such a loan to be able to acquire a home. There are others who must have fairly long-term credit to buy their home. Home ownership in itself is extremely desirable because it anchors the citizen to the community and is the best possible device to prevent the spread of isms in our economy. For this reason, we must lend all proper assistance to provide sound credit to those who wish homes and are in a position to do so.

However, it does not follow that maximum loan terms should be expected nor used by everyone. Many of us deplore the tendency which seems to be growing to sell the terms of a loan instead of the value of the product. This is true not only in real estate lending but consumer credit as well. Buyers have been educated to ask only two questions: how much is the down-payment, and how much are the monthly instalments. There are very few who ever point out to the borrower the terrific cost that he pays for a long-term loan. The total interest paid on a $10,000, 20-year GI loan is $5,192, whereas the interest paid on a 30-year loan is $8,252. By increasing the monthly payment $12.60, which is required by the shorter-term loan, the borrower saves $3,060 in the cost of his house. I think every borrower should be told of the price he pays for long-term credit. He should be encouraged not to insist upon maximum terms but to use the smallest loan and the shortest-term loan that will serve his needs and, thus, save as much as he can in the cost of his home.

I have heard some of the finest mortgage men in the country say that the price of housing increased in exact proportion to the easing of credit. One man, who is very well known to most of you, says that he is certain that when the VA guaranty was increased from $2,000 to $4,000, the price of the average house increased $2,000 within a matter of months. He also said that he thought it took but a short time for values to increase an additional $3,500 when the guaranty was increased to $7,500. This may be somewhat of an exaggeration, but I think most of us will agree that prices have increased at least that much during the period of time this man was discussing. Easy credit invariably creates more buyers: and unless some means is devised to destroy the law of supply and demand, more buyers invariably mean higher prices.

With this background, let us look at the mortgage picture as it is now. We find that we have the easiest credit ever known in the history of our country. We have the highest prices, except possibly for the year 1946. We are still building new homes at an extremely high rate and some say faster than is needed. A million units which we have built each year since 1950 are sufficient to house three million to three and one-half million people, and that is more than our population has increased each year. There are predictions being made now by important people in industry and in the government that we may attain a rate of new construction up to one and one-half million units per year. New house construction at this level has now become one of the most important industries in our country. It not only employs millions directly, but supports many allied industries, such as the manufacture of furniture and appliances and the many other things that go into a new home.

Should Credit Terms Be Eased

The question before us is can we and should we continue to

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*An address by Mr. Jones before the National Credit Conference sponsored by the American Bankers Association, Chicago, Ill., Dec. 17, 1954.

Outlook for General Business And the Automobile Industry

By GEORGE P. HITCHINGS*
Manager, Economic Analysis Department,
Ford Motor Company, Dearborn, Mich.

Pointing out that a pickup in durable goods manufacturing in last quarter of 1954, coupled with high level of construction expenditure, gives a favorable outlook for business, Ford Motor Company economist expresses the view that the factors largely responsible for recent decline in business now have run their course. Sees demand for automobiles and trucks stimulated by higher level of business activity.

General Business Outlook

Business activity is on the uptrend in the fourth quarter after six months of relative stability at the moderately lower levels reached in the July 1953-March 1954 decline. Durable goods manufacturing, which had felt the brunt of the previous decline, is the primary factor in the current rise. Steel production has moved up steadily to about 80% of capacity from the 66% rate prevailing in September. Passenger car production has been boosted substantially because of strong consumer demand and low dealer stocks at introduction of the 1955 models.


Geo. P. Hitchings

This pickup in durable goods manufacturing — coupled with continuation of record levels of expenditure for construction, consumer nondurable goods and services, and state and local government purchases—provides a firm base for an expanded economy in 1955. The level of activity for the year 1955 is likely to be equal to that for 1953 as a whole, but will probably fall short of the peak rate reached in the second quarter of 1953. Furthermore, there will be greater slack in the economy than in the Spring of 1953, because of increases in the past two years in the labor force and in productive capacity.

A return to the conditions existing at the peak of the boom in the first half of 1953, however, would hardly be desirable for the long-run interests of the economy. At that time, a substantial amount of employment and incomes rested on temporary production of armaments and build-up of durable goods inventories previously held down by the defense program and the 1952 steel strike. Prosperity based upon such factors cannot endure for long. Loss of more than $22 billion annual rate of production for defense and for business inventories precipitated the decline after July 1953.

A drop of this magnitude could have generated a sharp recession like 1937-38 or 1920-21, or the 1929-30 initial stage of the depression. In these periods, cutbacks in production and employment gave rise to a cumulative downward effect on consumer and business spending, particularly in the postponable areas of durable goods and construction. This time, however, total consumer spending and construction rose to new highs, and producer expenditures for machinery and equipment eased off only moderately from the defense-stimulated level reached in 1953.

These results were achieved largely because of tax reductions, increased government benefit payments, and confidence by business firms and consumers that the future prospects were bright enough to warrant maintenance of their high-level spending. The combined result of these actions was to produce an increase in total personal income after taxes in 1954 and to hold the decline in aggregate corporate profits after taxes to 10% from the first half of 1953 levels. Some individuals and corporations suffered sharp drops in income, but the others in aggregate have more buying power today than in the first half of 1953.

The two factors largely responsible for the decline in business activity after mid-1953 have now run their course. Defense expenditures in the third quarter of 1954 were down to a rate slightly below the average rate projected in the September budget revision for the fiscal year ending June 30, 1955. Further cutbacks are unlikely. Business inventories were liquidated at an annual rate of $4 billion in the first half of 1954 and $4.8 billion in the third quarter. By the end of September, business inventories of durable goods were down to the point where liquidation could slacken and possibly cease. The resulting boost in orders received by durable goods manufacturers has been an important factor in the fourth quarter rise in business activity.

The only factor currently operating on the negative side is business expenditures for new plant and equipment. The leveling off in profits after taxes, high depreciation allowances, development of new products and geographical areas, and striving for maximum productive efficiency, however, will combine to hold business capital expenditures close to current rates.

In the absence of negative forces in the economy, the positive factors can operate to produce an increase in aggregate business activity. Cessation of inventory liquidation will provide a $4.8 billion lift to the economy. State and local government expenditures for schools and highways are likely to increase further. Consumer spending for nondurable goods and services is likely to increase at least $3 billion merely to keep pace with the growing population. Even if the income generated from these factors does not produce a derived impact on spending generally, the dollar volume of total output for the economy would equal the year 1953.

In terms of output of final goods for civilian use, the results would be even more impressive. Excluding expenditures for national security and business inventories (neither of which contributes to our economic standard of living), there would be 4% more goods and services available for civilian use in 1955 than in the year 1953 or in the second quarter of 1953, which was the peak period for total business activity. Population will have risen only 3% in the same period.

Automotive Outlook

Demand for cars and trucks will be stimulated by the higher level of business activity. It should be noted, however, that factory sales of passenger cars to the domestic market of 5.3 million in 1954 were as high as the average for the peak period 1949-53. This figure was exceeded in 1950 and 1953 only because of limited production in the immediately preceding years. To equal or exceed the 1954 figure in 1955 would, therefore, be a substantial achievement.

There is not likely to be any problem of attracting new car buyers as long as their used car trade-ins can be disposed of at current price levels for cars of the same age. The fact that customers in this country have absorbed 31½ million new cars during 1949-54 sets up a potential market for the next six years equal to or better than this figure. Once people have acquired the equity in and ability to finance cars in the age groups presently owned, they are likely to strive to maintain this position as long as their incomes hold even or rise. Sale of another 31½ million cars domestically during 1955-60 (or an average of 5.3 million annually) would be required to maintain the present number of cars six years of age and under. In fact, growth of the adult population and per capita buying power should increase the number of car owners in this age group over the long run.

The timing of new car purchases in individual years will depend on general business conditions and new model changes. In 1955, both of these factors will favor improved demand for new cars. Model changes for the bulk of total car volume will be much more extensive than in most years.

The primary limitation on new car sales will be the ability to move used car trade-ins. The two factors in used car demand—scrappage of older cars and growth of car ownership—would normally be at a somewhat lower level in the next two or three years as compared with 1953-54. The number of prewar model cars which have accounted for the bulk of scrappage, will have been reduced to about 5½ million by the beginning of 1955. The only other cars old enough to disappear rapidly during 1955-57 are the less than seven million 1946-48 models.

At prewar rates of scrappage for cars in these age groups, nearly four million of the prewar models and three million of the 1946-48 models would be scrapped during 1955-57. The remaining 1½ million prewar models and four million 1946-48 models would represent cars which could still be operated without major repair and whose owners would not pay the price for 1949 and subsequent models. It is possible that the heavy supplies of 1949-51 models at low prices by the end of 1957 will encourage even more scrappage of the pre-1949 models.

It is obvious, however, that the weaker 1949-51 models will have to start disappearing in quantity before 1958 if scrappage is to total even 3½ million a year during the next three years. At prewar rates of scrappage, nearly three million of the 1949-51 models would disappear by the end of 1957. Scrappage of 1952 and subsequent models would be negligible—only 0.8 million—because their market value would still be high enough to warrant substantial repairs.

The other factor in used car demand — growth of ownership — also will be difficult to maintain at recent volumes. Growth in the postwar period has been at an unusually high rate to make up for the shortage of cars existing at the end of World War II. From now on, growth will be more in line with the increase in number of households and in buying power per household.

Greater replacement of old cars and growth of car ownership than indicated by the above factors in the next two or three years can be achieved, however, through increased selling effort and further reduction in the market price for used cars. The pressure of large incoming supplies of used cars traded in for newer cars will probably precipitate such a situation. This pressure might be relieved in part if an unusual number of car buyers become two-car owners for the first time when they find that the value of their present car is not enough to warrant giving it to the dealer as partial payment for a newer one.

The longer-run outlook for scrappage and growth beyond 1957 is very favorable. Scrappage of the heavy volume of 1949 and subsequent models will provide a record replacement market for used cars in the latter part of this decade and in the 1960's. Growth in ownership will also be stimulated in this period as the increased number of children born in the 1940's reach adult age and as the expanded highway program encourages car ownership.

*Summary of remarks by Mr. Hitchings before the Motor and Equipment Manufacturers Association, Chicago, Ill., Dec. 7, 1954.

Milwaukee Company Official Changes

MILWAUKEE, Wis.—At the annual meeting of The Milwaukee Company, 207 East Michigan St., investment securities firm, held Dec. 14, the present directors and officers were reelected and the following organizational changes were made. Harold A. Franke was elected Executive Vice-President. He is also Secretary of the company, as well as Secretary-Treasurer and a Director of Edgar, Ricker & Co., a wholly-owned subsidiary of The Milwaukee Company and general distributor of Wisconsin Investment Company, a mutual fund.

John F. Baumann, Manager of the Municipal Department, was elected a vice-president, as was also Edward W. Liphardt, Resident Manager in charge of the company's Chicago office, 135 So. La Salle Street.

Thomas L. Mosher, Manager of the Trading Department at the home office, was elected an Assistant Vice-President. Mr. Mosher started in the investment business 25 years ago with Edgar, Ricker & Co. The Milwaukee Company has branches in Chicago, St. Paul, Madison, Wausau, Green Bay and Racine.

J. J. Harris & Co. To Admit Rafferty

J. J. Harris & Co., 11 Wall Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit James F. Rafferty to partnership.

Gordon Bent To Be Bacon, Whipple Partner

CHICAGO, Ill.—On Jan. 1 Gordon Bent will become a partner in Bacon, Whipple & Co., 135 So. La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Bent has been with the firm for some time.

H. F. Clark Opens

SKANEATELES, N. Y. — Howard F. Clark is conducting a securities business from offices on East Lake Road.

Business and Higher Education

By HARRY A. BULLIS*

Chairman of the Board, General Mills, Inc.

Holding business is dependent on higher education, prominent industrialist points out problem of improving and intensifying our advanced education is of the utmost importance, because growth and expansion of the American economy depends largely upon the constant enlargement of research. Another reason given is the need of the nation for a trained and informed group to take leadership in formation of national policies. Sees need for external support of higher education in order to free it from political control. Advocates corporation aid to higher education.

Farseeing business men are coming to realize that, in the attempt to bridge the gap between education and industry, the private college must be given support, along with the larger school and the public-supported university. It is becoming more and more apparent that there must be a dynamic partnership between Education and Industry, if we are to preserve our American ideas of freedom and enterprise.

Harry A. Bullis

We in the United States are dedicated to the principle that all youth shall be educated. We have practically all our children going to school at least until the age of 18. Twenty-five percent of those who graduate from high school continue on in our colleges and universities. We vote bond issue after bond issue to enlarge plant facilities for our youngsters.

We are also devoting our energies increasingly to the education of adult groups. Some colleges are offering courses and degrees to adults regardless of whether they meet the technical requirements which are applied for the admission of high school graduates. It is small wonder that we are confronted with the task of extending and enlarging the aid provided to the colleges and universities of the country. I can think of no place where we can use our money to greater advantage.

The problem of improving and intensifying our advanced education is of utmost importance for two principal reasons. The first reason is that growth and expansion in the American economy depend largely upon the constant enlargement of research in every field. We must have scientific research to give us better products and better ways of producing them. We need research in the field of industrial and human relations in order that we may have a labor force which is constantly growing more efficient and which is so vital to a better standard of living. And in the area of marketing we must have research to provide the knowledge on which to base the ever-widening distribution and production which will be required if we are to provide productive employment to our labor force which is growing at a rate of over 700,000 annually.

The second reason that we need advancement of education at the college and university level is to supply our country with an educated and informed group to participate in and take leadership in the formulation of national policies. Many of the policies which have helped to stabilize American business enterprise have been advanced by higher education and by the discussion of the issues which is now so important a part of teaching and student life today, especially in our free and private liberal arts colleges.

*Remarks by Mr. Bullis at a luncheon meeting of the Midwest Conference on Industry and Higher Education, Chicago, Ill., Dec. 16, 1954.

Business Is Dependent Upon Higher Education

Business and industry are obliged to draw on our institutions of learning. Industry is not alone dependent on our technicians and scientists and, in some large organizations, for specially skilled executives; business and industry is further dependent on our institutions of learning to furnish leaders with the ability to coordinate internally the various ramified functions of a great enterprise. These leaders must also have a sense of public relations in dealing with a labor force and, on a larger scale, a sense of the merchandising of products to the consuming public.

Many of our great leaders in business and government have come from privately supported colleges and universities. For more than three centuries, our private colleges and universities have been a major source of America's ministers, doctors and teachers. These institutions have trained 21 of our 33 U. S. Presidents as well as a major proportion of our business statesmen.

We have in this country a **very high** standard of living. We have the highest standard of living and the highest per capita income of any country in the world. There is a direct relationship between a country's economic status and the educational level of its population. This relationship was established in a 10-nation study for the United Nations Educational Scientific and Cultural Organization (UNESCO) in 1953. Summarized in a publication of the Chamber of Commerce of the United States, entitled "Education—An Investment in People," the survey showed that the rank order of the nations as regards **education** and **income** is identical, with the United States holding first place on both counts. Education, therefore, is important to a country's economic health.

We want our standard of living to improve still further. The task confronting industry is the task of continuing our progress. To have dynamic progress, there must be leadership of the highest caliber at the top. That means leaders of men in every position of supervision. Business may perhaps get plenty of technical specialists, but well-rounded men with leadership ability are in short supply.

More and more industry is looking to the colleges and universities of America for its potential executives, as well as its specialists. Leadership ability is a combination of many things. Above all, it requires human understanding and the knack of getting people to work together as a team. The privately supported colleges, particularly the small colleges, are ideally suited to look for and develop these talents in young people. Close liaison between industry and our colleges would bring forth many more leaders for business and industry.

Higher Education Is Dependent Upon External Sources of Support

In the world of education, as in the business world, a college must be efficient and it must give service if it is to survive. Higher education, like business, is an enterprise—a $2 billion a year enterprise — but it cannot operate strictly as a business operates. A college cannot charge the full cost of the service it renders.

All of our institutions of higher education have been hampered by facilities which are inadequate and by lack of manpower. The problems that are unique with our institutions of higher learning at this mid-century period can be easily underscored. I refer of course to the privately supported institutions and in particular to the small independent liberal arts college. All of our colleges and universities need more support. But these I believe need it the most and they have no place to go except to you and to me and to others like us.

Privately endowed schools have been hard-hit by the decline in the purchasing power of the dollar. Real income from investments does not permit the progress that they should be making in replacing equipment, in new building, and in improving courses of study.

For instance, one of our large universities reports, (Harvard, New York "Times," Nov. 18, 1954) that its endowment fund has increased in market value by $75,000,000 during the fiscal year ended June 30, 1954, to a new high of $365,000,000. But the $12,236,000 income from the holdings meets only 31.4% of the total operating expenses of the university. The investment income in 1940, from a much lower endowment, paid 42.4% of the operating expenses. "Despite excellent management," the trustees reported, the university was found "to be less well-off from endowment than it was before World War II." Their report attributed this to inflation and to university growth. Consider then the far more serious plight of the smaller institutions which have smaller capital resources—often no endowment at all — and smaller alumni families and which are more remotely situated with respect to potential community support. There are many of them in this Middle West and among them are some of our finest colleges.

Over half the private colleges and universities in this country are facing a similar and serious financial crisis. To carry out their functions, our colleges and universities are dependent on a teaching staff of high quality. We should not want to accept, or for that matter even tolerate, mediocrity in the teaching of our future leaders and specialists during their formative years in colleges. To secure and to hold a good teaching staff is one of the most serious problems that besets nearly all our colleges and universities. Tuition fees have been raised, but they cannot cover the higher costs. If colleges, like businesses, were to charge the full cost for their services, they would price many highly qualified students out of a college education and as a consequence there would be lost to industry and to the country a vast potential of human resources and talent.

The independent college and university therefore must seek private financial support from sources beyond student fees, if it is to continue to render the useful service which is expected of it.

These colleges in the past have been supported by relatively few large gifts from private individuals. Changes in the economic order have caused the number of large private benefactions to decrease. These changes make necessary today a shift of fund-raising to a wider base of support. If the funds do not come from private sources, there will be political support from public funds. It is to the private sources that the private college must look in the future as the basis for progress and growth. No informed person wants a higher educational system in this country financed, dominated and controlled entirely by the state. The state universities themselves do not want that any more than you and I do.

Higher Education Must Have Freedom from Political Control

Our colleges and universities must continue to stand steadfastly for freedom of speech and academic tenure. They must maintain their historic tradition of freedom from control by any faction or by any force — right, left, or in-between. That is the true tradition of colleges and universities which has come down through the ages. We businessmen must assist them to vigorously uphold this tradition of an utterly free University and a completely free college.

Today, as we see the lights of learning fading one by one in the universities of the Soviet controlled countries and in China while they become purveyors of organized propaganda for the dictators in power, we realize how fortunate we are in America where scholars are still free to seek the truth and to speak the truth as they see it, and we realize the debt we owe to those distinguished presidents who have safeguarded the freedom upon which have been created some of the outstanding colleges and universities of the world. Only because of men like them, will there be a college or a university, shall we say, forever.

Corporation Aid Will Help Assure a Sound Educational Establishment in the Future

We are going to see a great American explosion by 1970. Over the next 15 years, in the six Midwestern states represented in this conference alone — Illinois, Indiana, Iowa, Michigan, Minnesota and Wisconsin—our 18 to 21 year old population — the so-called college age population — will increase by 75%. (The figures in the next two paragraphs are from "A Call to Action," American Council on Education.)

Today (1953) in this six state region, our college age population numbers nearly 1½ million (1,454,000). By 1970 the number of young people in this age group will be 2½ million (2,579,000). This is not a guess or a speculation. These boys and girls are here. They are growing up among us.

What will the impact be? Our colleges and universities, in this six state region, are now enrolling more than a third of a million students (358,000 in 1950). Roughly half of these are being educated in privately supported colleges and universities in these states and half in the state universities.

By 1970, assuming that one in four young people of college age will apply for admission to a college, the load will increase to double that of today—to an all-time high of 645,000 students.

In short, by 1970 there will be a new and additional group of more than a quarter million 18 to 21 year olds, fully qualified for a college education, who will be expecting and deserving the same opportunity that you and I have had to acquire a college preparation for a useful career. They will be our citizens and leaders of tomorrow. They will represent the new, valuable human resources which we, in our expanding economy, are going to need in the 1970's and in the 1980's in our businesses, in government and in the professions including the all-important profession of teaching.

Are our higher educational institutions equipped to take on such a load? It is evident that the answer is "No." What are we going to do to insure that these oncoming students do have an opportunity to go on into higher education and prepare for useful careers? Our colleges and universities are even now hard-pressed to make both ends meet. Notre Dame last fall was able to admit only 1,600 of 3,400 applicants and the University of Wisconsin—my Alma Mater—because of lack of dormitory space, had to turn students away. The story is the same in other parts of the country. At Cornell, 7,600 students applied but only 2,000 could be accepted. An eminent school of technology in this Mid-West area this year, had applicants for admission 10 times as many as it could take. ("Nation's Business," Sept. 10, 1954). These are warning signs of a situation which confronts the smallest college as well as the large private university. It will be aggravated as the years come upon us.

Are our colleges going to be geared by 1970,—by 1965 and even as soon as 1960,—to give these oncoming students an educational break,—to give them good teaching and good teaching facilities so that they may have the high quality preparation that we need for our businesses?

The answer depends primarily on business,—on what you and I and others in industry and business do about it.

Midwest Support of Higher Education

Up to now, Mid-West business has much to be proud of in the matter of grasping the financial problems of higher education and doing something about them. In almost any conference over this country in which the problems of financing higher education and the extent of corporation support have been discussed, the names of Mid-West business concerns invariably are cited for their well-considered and generous programs of support. I expect that when the regional averages are tabulated by the Council for Financial Aid to Education it will be found that our score of giving to colleges is as high, if not higher, than that of other regions of this country.

We know that while the national average of corporation gifts to all causes was only 6/10 of 1% of their net income, according to latest available figures of the U. S. Treasury Department, many firms out here regularly give much higher,—some their full 5%. And, although 20% of the corporation's philanthropic dollar, the nation over, is estimated to be going to higher education, we know of Mid-Western firms which give as much as 50% of their philanthropic dollar to higher education.

More and much more needs to be done. None of us is doing enough and some of us are as yet doing little if anything. Well conceived, long-term programs of corporation aid to education are not universal. They are not even in general practice. There is need for more corporation aid and more widespread aid from industry and from banks, railroads and public utilities, if the needs of higher education are to be decently financed. If our colleges and universities are enable to do their job well, we in business will be among the chief gainers; and the whole country will gain,—perhaps the whole world.

It is my sincere belief that all of the energy we devote to improving advanced education in the United States and all of the financial contributions we make are investments that very specifically and realistically return to us that stability and expansion of the economy which gives the American enterprise system the franchise it was first given many years ago.

An investment in the colleges and universities of America, by many people and by many corporations, is really an investment in a better, a more prosperous and a safer future for all Americans. I am convinced that Business in our Mid-West will find a way to do its part.

The 1955 Agriculture Outlook

By JESSE W. TAPP*
Chairman, Agricultural Commission, ABA
Vice-Chairman, Bank of American National Trust & Savings Association, Los Angeles, Cal.

West Coast banker summaries prospects for American agriculture in 1955, and asserts prospects for the farm front appear to point to another year of progress. Points out mechanization and increased man-hour productivity has played a prominent and constructive role in our economy, and belittle the fear of a "cost-price squeeze" in farming. Warns, however, against over-confidence in the long-term picture in agriculture unless adjustments are made to conform to changes in domestic and world markets.

An important purpose of these annual agricultural credit conferences is to encourage us, as bankers, to examine the status of the farm sector of our clientele and to devise ways of more effectively meeting the credit needs of our farm customers. In general I believe that we are justified in the view that our farm economy is in a healthy state and that its prospects for the future are good. In those areas where farm adjustment problems are present it is a part of our opportunity and responsibility as bankers to cooperate with our farm customers in making those necessary adjustments which will contribute to the maintenance of a healthy farm economy.


Jesse W. Tapp

More specifically, the 1955 prospects can be summarized as follows:

(1) The demand for food and fiber in our domestic markets in 1955 will show some improvement over that of 1954 and most other recent years.

(2) No further deterioration and possibly some improvement in the export markets for U. S. farm products appear likely during 1955. This could be especially helpful in connection with cotton, the producers of which are heavily dependent upon export markets.

(3) The policy of gradual adjustment in agriculture to meet post-war conditions is now well established. This should allay any fears, which farmers and others may have had, about the possibility of a general and widespread postwar crisis on the farm front such as followed World War I. Temporary soft spots may be expected in any particular farm commodity but there need be no general apprehension about widespread collapse of farm markets.

(4) The mechanization of agriculture is proceeding year by year. New ways of cutting farm production costs are being developed and adopted by farmers. The typical family type farm is growing in size as a result of mechanization and other labor saving measures. This gradual increase in the scale of individual farm operations provides expanding opportunities for efficient farmers.

(5) The financial position of farmers continues to be good. There are some exceptions in areas which have been adversely affected by prolonged drought.

(6) Increasing attention must be given by farmers and lending agencies to the development and use of types and terms of credit that are best adapted to the needs of farmers during the current adjustment period.

1955, Another Year of Progress

Prospects on the farm front in 1955 appear, therefore, to point to another year of progress. We may expect continued progress in increasing the productivity per man-hour in agriculture. This, as in the past, will be accomplished through mechanization and the application of scientific knowledge to all phases of crop and livestock production. It is this kind of progress that has made our agriculture the most productive in all the world. It is this kind of progress also that has made our agriculture such an important contributor to our high standard of living.

Viewed from a background of such accomplishment, bankers can well afford to be optimistic about agriculture in 1955, and the years ahead. They can and must consider the immediate problems of adjustment in proper prospective. They must recognize the current limitations on export markets for some products. Temporarily inflated export markets for some products played as important role in some of the postwar years. These temporarily inflated markets are no longer available. At the same time we can be encouraged by the high level of domestic demand for meats, milk, poultry products, fruits and vegetables, cotton, and other products that represent the great preponderance of our agriculture.

During the past 15 years of war, inflation and postwar rehabilitation, American agriculture has played a prominent and constructive role in our economy. Productivity per-man-hour employed in agriculture has increased at an unprecendented pace. This has reflected continuous progress in the mechanization of agriculture, and in the widespread application of scientific knowledge to the processes of crop and livestock production. Because of this progress in productivity per-man-hour we are today maintaining our farm production at about the record level achieved in the early postwar years with 10% fewer people on farms than three years ago. Because of this continued increase in productivity per person employed in agriculture, the decline in income per person employed in agriculture is much less than would be expected from the decline in farm prices from the inflationary peak of the Korean War in 1951.

The "Cost-Price Squeeze" in Farming

Because of the important changes that are taking place in the mechanization of agriculture, in the size of farms, in soil and water conservation practices, and in other phases of agriculture, we must not be unduly alarmed by the usual reports about the "cost-price squeeze" in farming, nor about the inevitable shrinkage in postwar foreign markets. We know from experience that many farmers are adapting their scale of operations so as to cope with such problems. Many have already done so, and many others are in the process of making the necessary adjustments. It is a part of our job to help devise the necessary financing, which will enable an increasing proportion of our farmer customers to make the necessary transitional changes, which will give us an agriculture that is better adapted to the longer term future. About this longer term future for our agriculture, we can be very confident. We can be confident because it rests upon the solid foundation of a growing domestic market and an improving technology in agricultural production, which will long be the envy of farmers the world over.

At the same time, we must not permit our confidence in the long-term picture of agriculture to blind us to the necessary adjustments in agriculture which are dictated by changes in domestic and world markets. For example, we have to be realistic about the impact upon the manufactured product segment of the dairy industry of the shift in consumer demand toward vegetable oil substitutes for butter. However, the worst of this impact has probably already been felt. We must examine with equal care the possible impact of the continued growth of synthetic fibers upon the markets for natural fibers produced by cotton and wool producers.

These are characteristics of a dynamic economy. It is important that they be understood, and it is especially important that farmers not be encouraged to handicap themselves in their competitive struggle for markets by price policies which place them in an unnecessarily disadvantageous competitive position. The direction of government price support policies for such products as cotton, wool and butter are most important in this connection and recent changes in such policies deserve more enthusiastic support by farmers, bankers and others interested in these segments of our agriculture.

Further progress, therefore, should be expected in 1955 in reshaping certain segments of our agriculture so as to better meet the needs of our peacetime economy and peacetime world markets. Of particular importance in this connection, for example, is the necessity to adjust our production of certain types of wheat to the requirements of present day domestic and world markets. This problem has been accentuated in recent years by the unrealistic price support program, which was continued beyond the period when needed as a stimulant to wheat production. Barring reduced production due to widespread drought, it now appears that several years will be required to absorb present excess stocks of wheat and bring about the necessary adjustment in production. In the meantime, the set aside of a part of the excess stocks under the Agricultural Act of 1954, and the adoption of a flexible price support program will prevent the wheat producer's problem from becoming in any sense a crisis on the farm front.

Intermediate Farm Credits

There is an increasing interest among farmers in types of intermediate farm credits, which can be repaid over periods ranging from two to five or more years. Such intermediate term credits are often needed for a variety of purposes. These purposes may include the purchase of larger units of modern, efficient, but expensive equipment; developmental expenditures in connection with soil and water conservation programs; expansion of livestock enterprises, etc. In many cases, the increased returns from such capital outlays will be delayed beyond one year, and often spread over a period of several years. If the programs are soundly based and supported by appropriate budgets of projected expenditures and returns, it should be possible for banks to help their customers with necessary credits of this type.

Certainly this is one type of farm credit that is going to come in for increased attention in the next few years. Banks have been supplying a variety of term credits to other types of business for many years. Many banks have in fact had a great deal of experience in supplying non-mortgage term credits to farmers. With the increasing capital requirements of farming, aside from investments in land and buildings, it is apparent that this phase of farm credit must have more attention from banks which extend credits to farmers in 1955 and the years immediately ahead.

*An address by Mr. Tapp before the Third National Agricultural Credit Conference, Memphis, Tenn., Nov. 29, 1954.

Illinois Company To Be NYSE Member Firm

CHICAGO, Ill.—On Jan. 1, The Illinois Company, Incorporated, 231 South La Salle Street, will become a member of the New York Stock Exchange. The firm's affiliate, Loomis, Petersen, Noyes & Hemenway, members of the New York Stock Exchange, will be dissolved Dec. 31.

Officers of The Illinois Company are John S. Loomis, member of the New York Exchange, President; Reno H. Peterson, George F. Noyes, Charles F. Hemenway, Paul A. Sellers, Edward K. Hardy, Jr., Harris E. Wilder, Stephen J. Frawley, Martin B. Olsen, Fred T. Rahn, William N. Murray and Clifton L. Nourse, Vice-Presidents; Harry C. Hall, Secretary and Assistant Treasurer; and Richmond F. von Gillern, Treasurer and Assistant Secretary.

Maxfield Friedman To Celebrate 25 Years

SAN FRANCISCO, Calif.—On Jan. 2, 1955, Maxfield H. Friedman, 111 Sutter Street, will celebrate this 25th anniversary in the securities business. Mr. Friedman acts as participating distributor and dealer in public uitlity, industrial and municipal securities.

Meredith Morgan Opens

BROOKLYN, N. Y. — Meredith E. Morgan is engaging in a securities business in Brooklyn.

Credit and Small Business Problems

By THEODORE H. SILBERT*
President, Standard Factors Corporation

Finance company executive, after pointing out growing demands for credit in our expanding industry, cites the need for equity capital financing by small business concerns. Outlines functions of Finance Companies as: (1) to make additional working capital available so that expanded production and sales can be safely financed, and (2) to make capital available so that individual businessmen do not have the burdent of financing consumer instalment sales. Stresses importance of cooperation of banks with the financing industry.

This is an appropriate moment to ask ourselves whether our country will be able to continue its economic growth. Will we move ahead? If we do, what role must the banks and commercial finance companies play in the next eventful years?

Theodore H. Silbert

Certainly anyone surveying our economic scene must be impressed by the fact that our country is alive and expanding at all the seams.

Clearly, some of this vigor is evident in the spurt of our population. Back in the 1930's, the experts had calculated that we would have a population of 160 million by 1975. Population was then increasing by one million a year, and the level set for 1954 was some 144 million. That seemed like a large gain.

As we all know, the social scientists were wrong. Our population today is growing at the rate of about three million a year and it already has topped 163 million. We may well reach 186 million 10 years from now, and 205 million by 1975.

That swelling of population is being accompanied by decentralization. The move to the suburbs has impressed all of us, and it shows no signs of abating.

At the beginning of this century, some 1.2 million people annually came to our country from abroad. That was the peak figure for such migration. Today, an average of 1.2 million are moving annually into the suburbs. And we don't even know whether that is the peak.

This movement of people has brought changes in our retail distribution and even in our manufacturing. We see it in the record construction now under way in new homes, new roads, new shopping centers, new schools, new factories.

All this growth, movement and change are related to another development of the past 15 years. People have more money today. Even considering the higher prices, the income of the average American, after taxes, is 1½ times as large as it was in 1929.

This higher income is not limited to a few families. The average income of the top 5% of income recipients in the United States in the past few years is actually down from prewar days. But the average income of the bottom two-fifths of the population has risen about 40%.

Opening a Middle Income Group Market

The effect of this, we all know. A vast new middle income market has been opened up. In typical American fashion, these middle income families are enjoying a standard of living never seen elsewhere in the world. And they are working to enjoy more. Sales of new appliances and all those other household goods that make for a more pleasant life, have boomed. No one can deny that the creation of such large markets for such goods adds to the impetus of our economy.

I believe we might very well pause here and consider our policies for a moment—particularly against the background of an economy powered by the dynamic forces I have just outlined. What should our monetary policy be? Certainly we are agreed that our policy should be one of stimulation of industry, so that we can continue producing the goods and services required by our dynamic population. How much stimulation do we want, and how do we do it?

We learn from the 1952 report of the President's Materials Policy Commission that the nation's total goods and services (what the economists call the gross national product) will double by 1975. This fabulous estimate is said to be in line with our economic growth of the last 100 years. It is based on the expectation of a population growth to 193 million, a shortening of the work week by about one-seventh, and an average increase in productivity of 2.5% a year.

Obviously, so soaring a goal as a doubled gross national product by 1975, will demand more production. Considered in the full sunshine of reality, this is the picture: over the next 20 years there will be a continuous pressure on business to produce more and more.

Extensive Credit Needed

Few industries or businesses can grow to this expanded size without extensive credit. Stock and bond issues, investment partnerships, bank loans, accounts receivable financing, consumer instalment financing and other kinds of financing are all forms of credit without which our business and commerce would be unable to meet the demands of a growing economy. The demand for credit has increased, and will continue to increase.

Position of Small Business

However, as soon as we mention the word "credit," we put small business at a disadvantage. Small business has more difficulty than large business in getting credit. Yet small businesses must have their full measure of opportunity to survive and grow.

Small business has always occupied a special place in the hearts of the American people. Aside from sentiment, the perpetuation of small business is an important factor in maintaining a competitive, free enterprise economy. We do not want a few giant corporations running our economy, any more than we would want a few giant banks handling all our credit.

The widespread interest in the problems of the small business is influenced by the fact that the great majority of businesses in our country are quite small. On the basis of 1950 distribution, 98% of the four million businesses in operation have less than 50 employess, and 87% have seven or fewer. In all business classifications, small firms loom large in number.

	Number of businesses (thousands)	Per cent with less than 50 employees
Retail trade	1,677	99.5
Service industries	857	99.1
Construction	372	98.3
Manufacturing	307	89.1
All others	794	98.0

I need not take your time to outline the various aids which banks, commercial finance companies, insurance companies and the government itself, have taken to release capital to small business. I need not discuss the various plans of the various development corporations in different parts of our country. Some of these are privately owned, some are public corporations. The help given to small business by all these agencies, is vast and substantial. And yet, we find a reservoir of unmet demand for additional funds on the part of smaller business.

I say there is a reservoir of unmet demand, because I have just concluded directing a nine-week Seminar on Current Problems of Small Business, held at Columbia University in New York City. Associated with me in this Seminar were such outstanding financial minds as Mr. Beardsley Ruml, former chairman of the New York Federal Reserve Bank, Mr. William F. Kelly, of the Pennsylvania Company for Banking and Trusts in Philadelphia, and Mr. J. Andrew Painter of the National City Bank in New York. In addition, we had on our Seminar faculty, businessmen distinguished in the fields of manufacturing, retailing, wholesaling, advertising, and management consulting.

I found, or I should say we found, that many small businessmen believe they cannot get adequate financing. Big business, they believe, gets far more than it needs. This notion may be erroneous. It may be false. It may be based on faulty statistics. It may be contrary to our daily experience. But it is prevailing, enduring, and seems to have some basis in the experience of many smaller businessmen who have talked with me in New York, Chicago, and Los Angeles, where my company maintains offices.

I have run tests and surveys on some of these typical cases. I find that some of these small businessmen have been turned down by banks and commercial finance companies because they did not know how to prepare loan applications properly, or their records were inadequate. I found some were turned down because they were obviously incompetent, and shortage of money was a symptom rather than the cause of their certain decline.

More Equity Capital Needed

But I found that about 15% of the manufacturers, and about 5% of the retailers needed more equity capital and were worthy of it. They were unable to get this financial help mainly because the financial institutions were not interested in lending this kind of money. Moreover, even on a short-term basis, the institutions were more interested in lending larger chunks of money than in administering a multiplicity of small loans.

It is this situation which undoubtedly explains the 20-odd years of existence of the Reconstruction Finance Corporation, and recently, the creation of the Small Business Administration.

In the summer of 1953, Standard Factors Corporation, in one of its monthly surveys, investigated 42 small manufacturers. We found that many of these small manufacturers favored some kind of government guarantee on bank loans to business—mainly because adequate bank loans were so difficult for some of these manufacturers to get. Obviously, such a plan of government guarantee would be even more costly to Washington than a direct loan program, since the banks would profit from the good loans and the government would absorb the loss on defaults.

It is curious to recall that the Administration in Washington had difficulty in locating witnesses to testify that the Small Business Administration was needed. In those hearings, various Senators were highly critical of the proposal. But these same legislators voted for the plan. Nobody wanted the Small Business Administration except many small businessmen.

I suggest to this distinguished audience that the creation of the Small Business Administration is another piece of evidence that somehow we have not done our best for all segments of our business economy.

Actually, the biggest need of small business is for equity capital — risk capital. Time was when tax rates were so low that a small business could plow back its earnings and finance its own growth. Today we know what the tax situation is. It adversely affects all business, and it decreases the ability of banks and commercial finance companies to grow and expand their lending abilities.

What, therefore, is the solution to this problem? Reduced taxes would certainly help small business, but I do not expect corporate tax rates to decline significantly in the near future. So long as our Federal Government operates at a deficit, we have no business to expect lower tax rates. The task of helping small business, therefore, is one which properly falls upon us—and by us I mean the banks and the finance companies.

The unmet need may be summarized in our finding that about 15% of the manufacturers and about 5% of the retailers can't find proper financing.

The fact that we meet most of these needs does not seem to me to be sufficient. We would not be satisfied if a judge handed down justice in only 85% of his cases, and that in 15% the court can't trouble itself because of the press of small details. Ideally, we want to see justice done in all cases. Practically, our courts try to follow that ideal.

Our financial policies are motivated by the same ideals. We want to finance everyone who ought to be financed. We ought to do this partly to preserve our free enterprise economy and partly because of the rising pressure to increase production as our economy expands.

In order to accomplish this great task before us, closer cooperation between the banking industry and the commercial finance industry is mandatory. The tremendous aid given to small business today by non-governmental financial institutions is possible only because the commercial finance companies borrow from banks in large wholesale amounts and make that money available in smaller amounts to smaller business.

Function of the Finance Companies

Over the years, the commercial finance companies have used their own resources as a cushion, and borrowed from banks to help American business in two ways:

(1) To make additional working capital available so that expanded production and sales can be safely financed.

(2) To make capital available so that individual businessmen do not have to carry the burden of financing instalment sales to consumers.

In the main, the commercial finance companies have provided pioneering money for small business, have provided initial capital to launch commercial operations, and have provided money for expansion. By the time large scale capital is required, the company is usually able to raise it through public offering, and finance its short-term needs from banks.

Historically, our banks and commercial finance companies began to work together around 1900, when the last American frontiers closed and population increased rapidly. New industries and business organized at a rapid rate to meet the demand for goods and services. These new small enterprises required financing; but because of legal restrictions, the nation's banks were largely unable to advance the necessary funds.

In 1904, the first private company to finance accounts receivable was organized in Chicago. The success of this experiment led to the establishment of other private commercial finance companies.

Finance companies prospered because they filled a social need unmet elsewhere — flexible forms of financial assistance for America's fast-growing young industries and businesses. They could be—and remain—flexible because of the use of private funds, loaned on practical business and credit considerations, and unhampered by the legal restrictions surrounding banks. The banks, however, supplied much of the financial resources used by these commercial finance companies.

I speak from personal knowledge when I tell you that Standard

*An address by Mr. Silbert at the Seventh National Credit Conference of the American Bankers Association, Chicago, Ill., Dec. 17, 1954.

Factors Corporation, which is a typical company in our industry, has financially helped a wide range of small businesses engaged in such diverse manufacturing fields as books, office supplies, shoes, cosmetics, plastics, lumber, phonograph records, textiles, canned food and food products, axles, jewelry, radio and television, aircraft, sporting goods, china, propane gas, furniture, candy, boats, kitchen electric appliances, bathing suits, uniforms and vacuum cleaners. During World War II, we financed many small companies engaged in the production of essential military material.

The commercial finance industry has not only made billions of dollars available annually to businessmen to aid them directly in expanding their production and sales. Indirectly, through consumer instalment financing, the sales-finance companies have played a major role in providing mass credit. Without such mass credit, mass production would be impossible. It is mass credit which makes possible the instalment sales of automobiles, refrigerators, washing machines and the hundreds of other items which we take for granted in our much envied American standard of living. And it is this same mass credit which often permits a small businessman to finance his instalment sales and expand production by the help of sales-finance companies.

I turn to the automobile industry as an example. In 1900, only 4,192 automobiles were produced under the prevailing cash sale, one-car-at-a-time production system. By 1912, potential customers began to pressure automobile dealers for some form of consumer credit. In 1915, the commercial finance companies developed instalment sales financing. The first contract between an automobile manufacturer and a sales-finance company, contemplating time-selling on a nationwide basis, was signed in February, 1916. By 1917 40 such companies were financing automobile dealer instalment sales and by 1925, the number had grown to 1,700. The automobile rose to first place in American industrial production, and came to be regarded no longer as a luxury but as a necessity.

Instalment sales spread to other hard goods, and mass production for a mass market became "the American way."

For example, in 1921, only 5,000 electric refrigerators were sold, at an average cost of $550. At that time, mass instalment credit was not available in this field. In 1951, with widespread use of consumer credit for appliances, 3½ million electric refrigerators were sold, at an average cost of $155. Without mass credit and mass production, an electric refrigerator today would cost around $2,000, a lower-priced car would be around $7,000, and a radio around $750.

Consumer credit also means that new products can reach the mass market much more quickly, thereby supporting production and employment, and raising the average family's standard of living. A study by "Electrical Merchandising" shows that it took 18 years for electric ranges to reach a million sales. That was before the era of mass credit. Electric clothes washers required about 10 years to reach the million mark, and most of these were sold before mass credit was operative. The newer electric dish washers, however, required only five years to reach a million sales. The same for gas and electric clothes driers. Room air conditioners hit the million mark in about four years, and home freezers in less than three. Mass credit made this possible.

As for television, production increased from 178,000 sets in 1947 to 7½ million sets in 1950, and the average price decreased from $501 to $316 for a better set. To finance this tremendous sale, 76% of these sets were sold on instalment, and handled mainly through sales-finance companies.

In all such developments during the last 40 years, only the active cooperation between the finance industry and the banks made this growth possible.

Both the banks and the finance companies together have helped provide the financial resources for industry to produce the goods and for consumers to buy these products. Both of these endeavors made today's higher living standards possible.

Looking ahead, our gross national production must expand, and smaller business must get the help it needs if our economy is to stay strong. To finance this expansion the commercial finance companies and the nation's banks must endeavor to work even more closely together than ever. This applies not only to the financing of industry and distribution, but also to expansion of mass credit and instalment sales. It applies also to financing of every worthy small business, because the small manufacturer of 1954 may be the General Motors of 1975. Our country may need his managerial skills and output. Let us, therefore, strive not to have any reservoir of unmet need.

Only in this way can we play our proper role in keeping our country strong and prepared for all eventualities.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Vernon W. Whipple is now connected with Francis I. du Pont & Co., 2117 Merced Street. Mr. Whipple was previously with E. F. Hutton & Co. and Davies & Co.

COMING EVENTS

In Investment Field

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

Jan. 24, 1955 (Chicago, Ill.)
Bond Traders Club of Chicago annual winter dinner at the Furniture Club.

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

Feb. 25, 1955 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Benjamin Franklin 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.

1929 Market No Precedent, Says Loeb

Analyst maintains significance of D-J Average's recent topping of 1929 highs is "very close to zero." Holding this year's market gains were soundly based, predicts stock prices in 1955 will be bolstered by improving business activity, a continuing sound political situation in Washington, and persistence of the underlying inflationary trend. Expects the big market gainers to be the rails, and some of the issues below Blue Chip quality.

G. M. Loeb, a Partner in E. F. Hutton & Co., New York City, predicts in a year-end statement on stock market activity, that stock prices generally during 1955 will stabilize around the new high levels reached during 1954. In the case of some issues which failed to participate fully in the 1954 rise, Mr. Loeb expects them to "catch up". He maintains the stock market outlook is good for the new year, but no duplication of 1954 is looked for. His statement continues:

G. M. Loeb

"Perhaps the most newsworthy stock market event of 1954 was the topping late in November of the fabled 1929 high of the Dow-Jones Industrial Averages. Some took it as a sign that the market was again in dangerously high ground. Others took it as a sign that the market was in the clear and nothing lay ahead of even higher prices.

Little Significance to Averages

"In my opinion the significance is very close to zero. The averages are only typical of a narrow section of the market, but even they have been changed by elimination and fresh additions. The companies are not the same. The dollars we count are different. In most cases the people who own the stocks today are different from those who owned them in 1929, and those that still hold them are 25 years older. I don't believe that what happened in 25 years is any indication of what to expect from stock investments but—to show the possibilities—Douglas Aircraft's 1929 high was the equivalent of 11½ and its recent top 102⅞. DuPont, perhaps the most popular growth stock, sold at the equivalent of 57¾ in 1929 and it was 1949 before it recovered to that price. More recently it was 170. Radio 1929 top the equivalent of 60—recent high 38⅞; American Tobacco 135 and 65⅜; Pennsylvania Railroad 150 and 21½; Consolidated Edison 120 and 47⅜; American Telephone 310 and 178¼. These are typical illustrations that show how really unrepresentative the averages actually are.

1954's Extraordinary Advantages

"Aside from this, the year 1954 was a year of extraordinary advancers. These were widest in the very highest grade blue chips, DuPont which ordinarily sells to yield about 4% started the year at 106 and advanced approximately 65 points to 170. In other words, people who bought it for the dividend saw the price of the stock go up 9 times the expected annual rate.

"The advances of 1954 began in September of 1953. Immediately upon the election of President Eisenhower there was a feeling of confidence in business and financial circles that had not been witnessed in 20 years. However, after a mild post-election really the market declined until the autumn of 1953 because of the efforts of the new Administration to balance the budget and create a sounder dollar. In the summer of 1953 the first steps were taken to again ease interest rates and the rise which began a few months later has persisted ever since. Thus, the gains of 1954 were based on a sound Administration in Washington, the underlying inflationary trend, the repeal of the Excess Profits Tax, increased institutional buying concentrated in the very best stocks, a belief that the business recession would be short-lived, some specialized buying for merger purposes and an increasingly wider acceptance of the thought that common stocks were a necessary part of every investment fund, large or small.

"The market price of the Dow Industrials advanced during 1954 over 35%. The earnings of the corporations which go to make up this index advanced about 2.2% and the dividends they paid are estimated to have advanced about 6.5%. Business in general was in a mild recession during the year but started to turn up in the final months.

Man-of-The-Year, Young

"The man of the year in the stock market was Robert R. Young who achieved a long-standing ambition to take over the management of the New York Central Railroad, or, to put it in his own words, 'to stake out the New York Central for its owners.' The importance of his proxy fight went far beyond his personal victory or the particular property involved. Its importance was more the very wide advertisement given to stockholders in general of the power of their vote.

"The most basic premise of a 1955 market is expected improvement in business. The volume of business in 1954 was very good despite all recession talk. However, the direction of business for most of the year was downward and this affected profits. Now indications suggest that the direction of business in 1955 will be upward. The elections last November, instead of rolling up a Democratic landslide, gave much hope for the continuation of a sound situation in Washington. The underlying inflationary trend will persist in 1955 and the Administration has already officially admitted its inability to balance the budget this year regardless of the intensity of its desire to do so.

"Institutional buying should continue and the wider public interest in common stocks should expand. Four million share days first seen again this autumn after a long while still seem low in comparison with present day statistics of shares listed, individual income, gross national output, population, etc. I think it can be truthfully said that the public's appetite for stocks has just been slightly whetted and is still very far from being satisfied.

"The big gainers of 1955 should be the direct beneficiaries of business improvement. First in position should be the railroad stocks particularly roads like the New York Central and the Baltimore & Ohio which are very sensitive to improvement in their gross traffic. In other directions the gains will be more individual in character and linked to improvement in specific industries and specific companies. Income yields of the very highest grade institutionally favored blue chips are so low that some effort will be made to find investment values here and there in a few companies of slightly lower quality. There will probably be further advances during 1955 of issues affected by changes in management, proxy battles or merger offers.

"Taken altogether, 1955 should be a good year in the stock market with possibility less over-all gain but probably higher over-all activity."

Blunt Ellis Simmons To Admit Gardner

CHICAGO, Ill.—Robt. H. Gardner will be admitted to partnership in Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges, on Jan. 1. Mr. Gardner is a partner in Francis I. du Pont & Co.

J. F. Reilly Installs Wire To Philadelphia

J. F. Reilly & Co., 42 Broadway, New York City, announce the installation of a direct wire to F. J. Morrissey & Co., Philadelphia.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Allen L. Welch has joined the staff of Shearson, Hammill & Co., 520 S. Grand Avenue. He was formerly with Lester, Ryons and Co. and Pacific Company of California for many years.

THE MARKET . . . AND YOU

By WALLACE STREETE

Scattered outbreaks of profit-taking continued to show up this week in the stock market but the most significant thing about the week's trading was that the list still refused to back down to any great extent. With only a week left of this year's trading, the interest currently has shifted to 1955 to see how much selling will crop up as traders get their first chance to establish their tax gains for the new year.

* * *

Activity continues high and, despite the fate of the in-between week left to this year, enough progress has been made not only to establish the traditional year-end rally, but a rather early one at that since the interruptions since the post-election upturn started have all been extremely minor.

* * *

Motors Get Going

Of particular note this week was that the long-depressed motor shares aren't completely dead and can, without too much trying, build up a following able to carry them to new highs for the year. Except for the textiles, few groups have shown as much widespread skepticism as the motors despite the market enthusiasm elsewhere. As usual in the market, even the new-found buoyance wasn't a one-way street entirely and Chrysler, General Motors and Studebaker-Packard continued in very prominent spots in the latest short interest report. The large short interest in Chrysler for many months now, and the speculation over what the shorts were doing, contributed to a trading situation of its own and the issue several times ran counter to the trend both ways as traders tried to outguess each other.

* * *

Steels reacted a bit on the foregone conclusion that the holidays would cut into production schedules a bit but overall showed merely expected caution rather than any pronounced softness. Bethlehem Steel, on the intangibles of its disrupted merger with Youngstown Sheet and busy rumor circles including tales of a forthcoming split, was able to move in wider arcs than the others where both the plus and minus signs on any given day were generally meaningless.

* * *

Rails Lead

Rails continued to do a sterling job of taking over the leadership whenever the industrials faltered. And here what apparently was a shortage in the floating supply of stock rather than too much specific in the way of news contributed to some wild movements, with Texas & Pacific Rail and Denver & Rio Grande standing out on multi-point gains when the going was good. The Eastern carriers, long out of investment and even trading favor, even outperformed some of the better grade Western roads. New York Central, on the company's announced hopes of putting it on a $2 dividend basis next year was able to move back into the 30's where it hasn't been since 1946. The stock, as a matter of fact, had slipped below the 10-line in 1952.

* * *

The performance of the chemical shares was a little more cloudy than most. Du-Pont showed a capacity to spurt ahead surprisingly, but it also was quite willing to join the laggards when strength was around elsewhere. Allied Chemical, which seemed out of favor for weeks, was able to perk up sufficiently to join the new highs on occasion and Olin-Mathieson, which had had its play recently, was resting for the most. Monsanto was also resting for the most and its performances were hardly conclusive.

* * *

Aircrafts did well overall and a couple affected by specific developments, such as Boeing on its new jet airliner and Douglas on military orders, were able to get in on the fireworks. Douglas in particular which was a particular pet last week, was able to keep up its soaring action into the early portion of this week before the progress was checked by some mild realizing. The issue, split early last May, was able through it all to reach a price only half a dozen points under the pre-split reading which qualifies for at least some consideration in "stock-of-the-year" deliberations.

* * *

Oils were largely a disappointment, not so much because of any pronounced weakness as for their hesitation in the face of buoyant markets that is now getting somewhat protracted. The renewed interest in Amerada petered out somewhat with the 1952 high still standing inviolate. The new TXL Oil, into which was spun off the mineral properties of Texas Land Trust, had a somewhat erratic time of it marketwise, somewhat pronounced and independent weakness after its initial runup giving away to moments of good strength this week. Northern Pacific, often favored far more for its oil properties than its carrier business, had calmed down after forging through a resistance level to the 70 bracket but it, too, showed little immediate inclination to tackle its 1953 high of 84, much less its 1952 peak more than 10 points higher.

* * *

Amusements' New Popularity

Some of the amusement issues were able to show the beginning of new popularity, notably Loew's, and the distilling issues were given a play now and then in their traditional reaction to their peak selling season. Columbia Broadcasting issues were able to muster an occasional appearance on the new highs list with some of the daily gains sizable.

* * *

More discouraging was the performance of American Telephone which continued to retreat after setting a new top just prior to going ex-dividend for its first 1955 payment. This pattern is nothing new for this top-grade investment issue and the fact that it was able this year to reach its best level since 1946 on a range of some 20 points, or about double the range of the last few years, did much to minimize any dour implications.

* * *

Some large year-end transactions showed up, including one of 100,000 Benguet Mining. There was also a bunched sale, to start the week, of 140,000 Canadian Atlantic Oil on a radio broadcaster's "tip" but none of them was any serious challenge to the 200,000 RKO Pictures trade last February which is still the top single transaction to cross the tape this year.

* * *

Underlying Technical Strength

Technically the signposts are few except that no glaring excesses are around to be corrected and the stubborn refusal of the list to sell down to any extent still indicates underlying strength for the long pull. What fears there are around are minor and pertain to selling after the industrials cross the 400 mark for the first time in history. This is based far more on psychology than on any special significance of such a figure.

* * *

With the rails at their highest reading since 1930 and utilities finally able to exceed the August high for the best reading of this index since 1931, there is enough confirmation around for the chart followers to keep things buoyant until the time comes to raise cash for income tax payments. And next year that date will come a month later to help change the normally uncertain markets of late February and early March to a new calendar position.

[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.]

From Washington Ahead of the News

By CARLISLE BARGERON

Messrs. Dixon and Yates whose names have become about as well known throughout the country as a team of vaudevillians in other years, seem to be thoroughly enjoying their experience whereas their associates in the business world and particularly those in the private electric industry in which they are engaged, usually shrink from the spotlight. Instead of seeming embittered over the rough handling they have received at the hands of politicians and the public power demagogues, they give the impression of thinking it is rollicking clean fun.

Carlisle Bargeron

I am not quite sure how they will come out, whether they will get the government contract to build a power plant at West Memphis, Ark., or not. They seem to be confident they will and the Administration is confident they will. But members of Congress who are opposed to it appear to be just as confident that they won't. Indeed, they list 18 additional steps which they say they can take to prevent the execution of the contract. They involve steps that can be taken in the next Congress, several time killing actions in the courts and finally action by the State of Tennessee itself. Some of the threatened steps seem to this writer to be pure bluff in that they would likely get nowhere; others could prove to be quite annoying to Messrs. Dixon and Yates.

But be this as it may, the two gentlemen, it seems to me, have finally developed to be a pair of excellent good will troubadours for the private electric industry as a whole. Just a few weeks ago they seemed anything else but. In fact, I got the distinct impression that the rest of the industry was biting its collective nails and gritting its teeth.

Their public relations job was atrocious. Apparently, in fact, nothing was done. They took the attitude they were doing the government a favor and any selling or explanation of the project had to be done by the government. Their political opponents took the ball and ran all over the place with it, picturing the project as a national scandal, as another Teapot Dome. It appeared the whole industry was in for another such political raking over the coals as it experienced in the '20s and '30s, an experience from which it still seems to be somewhat punch drunk.

But more recently the Dixon-Yates team has appeared on the Meet the Press TV program and before the National Press Club. On both occasions they made an excellent impression; they seemed not the slightest harassed, not the slightest evasive or even annoyed. They answered the questions thrown at them genially and with evident enjoyment. They seem to be making monkeys out of their tormentors in the current hearings before the Securities and Exchange Commission. In the first place they make an engaging pair when they appear together, Dixon compact and medium statured, Yates topping him a good foot in height. A skit on them was one of the features of the recent Gridiron Club dinner in Washington.

It is not yet known whether the threat of a Congressional investigation of the whole electric power industry at the next session will materialize. Frankly, I believe the industry would have a lot to gain by encouraging it and to come in with both fists flying. A lot of politicians and parasites could be thoroughly debunked. I doubt seriously if a people anywhere have ever been so bamboozled as they have about the great TVA "experiment," the holy cathedral of the public power cult.

"MERRY CHRISTMAS"!

P. J. Gruber Co. Formed

P. J. Gruber & Co., Inc. is conducting a securities business with offices at 55 William Street, New York City.

F. M. Hall Opens

F. M. Hall & Co. has been formed with offices at 70 Wall Street to engage in a securities business.

Investors Collateral

HEMPSTEAD, N. Y.—Investors Collateral Corp. is engaging in a securities business from offices at 42 North Franklin Street.

J. H. Myers in N. Y. C.

Joseph H. Meyers Corp. has opened offices at 170 Broadway, New York City. The firm has been active in Rockville Center, New York.

Form Steinfeld Co.

JAMAICA, N. Y.—Philip Steinfeld Co. is conducting a securities business from offices at 90-77 Sutphin Boulevard.

Joins Geo. W. Clarke

(Special to THE FINANCIAL CHRONICLE)

LAKE CHARLES, La.—Ted A. Ward has become affiliated with Geo. W. Clarke, Weber Building.

Joins Cruttenden Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—John J. Gera is with Cruttenden & Co., McKay Tower.

With Eastman, Dillon

PHILADELPHIA, Pa. — Eastman, Dillon & Co., 225 South 15th Street, members of leading stock exchanges, announce that Ramsay Wetherill is now associated with them as a registered representative.

Nadler Sees Progress In Western Europe's Economic Recovery

Economic developments of the last year throughout the free Western World constitute probably the greatest victory in the cold war against international Communism, is the opinion expressed by Dr. Marcus Nadler, consulting economist to The Hanover Bank, and Professor of Finance at New York University.


Marcus Nadler

In a report on "Western Europe's Recovery," published by The Hanover Bank, Dr. Nadler said productive capacity and productivity in all Western European countries have increased materially and have surpassed the best prewar years.

"The standard of living of the people has risen," Dr. Nadler said, "and serious efforts have been made in most countries to provide better housing. The forces of inflation have been brought under control, and commodity prices during the last year have for all practical purposes remained stable.

"Confidence in the individual currencies has been restored, with the result that black markets in commodities, foreign exchange and in gold have disappeared. The price of gold in the free market is now not much higher than the official rate prevailing in the United States. Savings of the people are slowly rising and investors have more confidence than they have had in some time."

Probably the most important development in Western Europe has been the curbing of inflationary forces, Dr. Nadler pointed out.

"While they prevailed," he said, "they not only made impossible a healthy recovery but undermined the morale of the people and their belief in the system of private enterprise."

But with inflation curbed and other problems pretty well solved, he added, "the foundation has been laid in most Western European countries for a healthy economic growth accompanied by rising living standards which is the best weapon against Communistic propaganda and subversion. A healthy economy, particularly where each economic group receives its just rewards and where the benefits from increased production and productivity are shared by all, is in a strong position to resist Communistic infection."

The hoped-for return to convertibility has not as yet materialized, Dr. Nadler asserted, and an official announcement to this effect is not likely in the near future.

"However, exchange control in many countries has been simplified and the transfer of funds among the various Western European countries has been liberalized," he added. "Unless some unforeseen events occur it may be expected that this process will continue and some day in the not distant future the leading currencies of Western Europe will for all practical purposes be convertible on current account even though exchange restrictions will nominally be maintained."

British Colonial Currency Reform

By PAUL EINZIG

Commenting on the rise of Colonial sterling balances in London, while, at the same time, the Colonies are borrowers in the London market, Dr. Einzig ascribes this paradoxical situation to the British requirement that Colonial currencies be backed by a 100% reserve in sterling exchange. Holds this requirement should be amended, and part of the reserve to support colonial currencies be placed in local Colonial securities

LONDON, Eng.—The accumulation of Colonial sterling balances in London has created one of the strangest paradoxical situations of the postwar period. Their total reached £1,450,000,000 by the middle of 1954, which is many times larger than the outstanding amount of sterling loans owed by the Colonies to British investors. In other words, the Colonies have become, on balance, creditors of the mother-country. What is even more remarkable, even though they have been piling up sterling balances, from time to time they appeared nevertheless as borrowers in the London market. Year after year Britain is pouring new mililons into the Colonies in the form of long-term loans, capital investment in Colonial enterprise, and even grants under the Colonial Development and Welfare Act. In other words, Britain has been not only financing her creditors but also subsidizing them. All the time the large and growing Colonial sterling balances have been lying idle in London, taking no part whatever in the economic development of the Colonies that own them.


Dr. Paul Einzig

To try to explain the full reasons of this paradoxical situation is outside the scope of the present article. I propose to confine myself to the examination of the circumstances responsible for the accumulation of the largest single item in the Colonial sterling balances—the sterling reserves of Colonial currencies, totaling £363,000,000 on June 30, 1954. That amount represents the sterling holdings of the Currency Boards of the Colonies of East Africa, West Africa, Malaya, and the West Indies, and those of the local Currency Commissioners in Colonies not covered by these Boards.

Under the Colonial currency system these various currency authorities are under obligation to deposit in sterling the equivalent of the currencies issued by them in their respective Colonies. In other words, they have to keep a 100% note cover in foreign exchange. This is a very high reserve ratio, considering that under the gold standard the gold exchange standard the usual ratio was 40%, or 33%, or, in the case of the Federal Reserve System, 25%. In Britain there has never been a fixed reserve ratio, but instead there has always been a large and increasing fixed amount of "fiduciary issue" which did not have to be covered by gold.

The reason for fixing the Colonial reserve ratio as high as 100% was that half a century ago when the system originated the currency was used mainly for financing the movements of goods and of capital between Britain and the Colonies. The notes were issued mostly in payment for Colonial exports, or in connection with the influx of British capital. The Colonial Office and the Treasury considered it essential that the sterling equivalent of these notes should always be readily available, in case the Colonies should want to spend their notes on the purchase of British goods, or in case the British investors in the Colonies should wish to withdraw their investment. The notes circulated mostly in the ports and the surrounding districts, while the economies of the interior districts were based almost entirely on barter or on the use of primitive currencies such as cowries, manilla rings, etc. This was not the case of course in the economically and culturally more advanced Colonies in the West Indies and elsewhere, but their systems were simply modeled on those of the less advanced Colonies.

Even in those circumstances the 100% reserve requirement was grossly exaggerated, for in no conceivable circumstances was it likely that all holders of notes would ever demand the conversion of all their notes into sterling. Meanwhile the situation has changed completely. Since the Second World War the notes have penetrated even into the most remote district and are now in general use. They are essential for the financing of domestic economic activity, because barter has largely ceased and primitive currencies are no longer in use to any great extent. The volume of trade in the interior districts has expanded considerably. A very considerable proportion of the notes is needed for this turnover. These notes are never likely to be presented for conversion into sterling.

What is more, a by no means insignificant proportion of the notes must have become lost or destroyed. The percentage of such wastage must be very high in backward tropical countries. For instance, unless the notes are kept in metal boxes they are liable to be eaten by the white ants. These noxious termites must have effected quite a considerable degree of deflation, or at any rate disinflation, during the recent prosperous years in the African Colonies.

Clearly it is the height of absurdity that the currency authorities should be still under obligation to keep a 100% sterling reserve, even against the notes which may safely be presumed to have ceased to exist. Yet such is the force of inertia that the system elaborated for more primitive conditions was allowed to remain in existence without regard to the changed situation. The only departure from the rigid application of the rule was in the case of Southern Rhodesia; when it was approaching Dominion status it was permitted to invest up to 10% of her currency reserve in locally issued government securities. The other territories had to keep their entire reserves in sterling.

The fact that until recently more than 90% of these reserves was kept in the form of medium- or long-term securities shows that the authorities never expected seriously any substantial reflux of notes. There was no valid reason, therefore, why a large proportion of the sterling reserves should not be replaced by locally issued government securities, so that it should be possible to spend the sterling thus released. This would have enabled the Colonies to import much-needed capital goods and to raise the standard of living by increasing their purchases of consumer goods. From the point of view of British and Sterling Area exporters this would have been highly beneficial, and with the gradual progress toward sterling convertibility the benefit would have spread to other currency areas.

It was not until the end of November, 1954, that long-overdue steps were taken in this direction. On Dec. 3 the Parliamentary Secretary for Commonwealth Relations, Mr. Douglas Dobbs-Parker, announced in the House in the course of a debate on colonial development that the Colonial Secretary has now authorized the Colonial Governments to invest a small proportion of their currency reserves in locally issued securities. In other words, the system that has been in operation in Southern Rhodesia (which country, together with Northern Rhodesia and Nyasaland, has now become a Dominion and is about to establish a central bank of its own) is now being applied to all Colonies. It is a modest beginning, but the principle involved is of considerable importance. In all probability the government will be pressed to increase the proportion of reserves which can be invested locally, and thereby to reduce the proportion that has to be kept in sterling. Applied on a sufficiently large scale, the change should release something like £200,000,000. In any business recession, this, together with the mobilization of other items in the Colonial sterling balances of £1,450,000,000, should be of great assistance.

The development of the backward countries of the Colonial Empire could be largely financed out of the intelligent use of the Colonies' own funds which are at present immobilized in London. This would obviate the necessity for the British taxpayer to find hundreds of millions of pounds for Colonial development and welfare subsidies. The paradoxical situation in which the debtor is subsidizing his creditor could and should be brought to an end by a more progressive monetary policy.

Andersen to Be Partner In Kuhn, Loeb & Co.

The investment banking firm of Kuhn, Loeb & Co., 52 William Street, members of the New York Stock Exchange, announced that Jonas C. Andersen will be admitted as a general partner on Jan. 1, 1955. Mr. Andersen became associated with Kuhn, Loeb & Co. in 1949 since which time he has been manager of the firm's municipal bond department. For many years he was with The Chase National Bank where he was Vice-President in charge of the bank's bond department.


Jonas C. Andersen

Mr. Andersen is President of the Municipal Bond Club of New York and a Director of Hat Corporation of America.

Four New Partners For Chas. Scranton

NEW HAVEN, Conn.—On Jan. 1, Leslie B. Swan, Stephen G. McKeon, John M. Flanagan and Gordon E. Johnson will become partners in Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange. On the same date Wilbur G. Hoye, general partner will become a limited partner.

The Challenge to Management

By C. F. HOOD*
President, United States Steel Corporation

Expressing concern regarding the psychological situation within industry, executive of leading steel producer stresses need of convincing both management and labor that their interests and well-being are mutual. Points out, in past forty years, while wages have risen, investors have received a proportionately diminishing share of increasing output from tools and labor, thus jeopardizing financial stability. Cites "the British dilemma," and decries "the dishonest barrage of propaganda which has been leveled at the employee group." Calls for a more practical approach in labor-management coordination.

As we are about to turn the corner to a new year, all of us are looking for facts reflecting the prospects for 1955. The opinions and indexes of the past month or so reveal a significant and not at all discouraging sign. There is an atmosphere of confidence within industrial circles — a year of highly successful readjustment. A year ago we contemplated a large drop in defense expenditures and a countrywide liquidation of swollen inventories no longer needed, as hostilities ceased and materials became readily available. As we then hoped, these adjustments have been absorbed in a completely orderly fashion and now lie behind us. It is an achievement that can properly give us confidence; and that there is confidence is expressed in industry's plan to invest at least $20½ billion in new plant and equipment in 1955, which is, as you know, only about 11% below the investment made during 1953, an all-time high.


Clifford F. Hood

All such estimates, of course, are subject to error, and all of industry's budgets have not been completed. It is quite possible, when all of the returns are in, that the differential between the estimate for 1955 and the actual record investments of 1953 may be narrowed still more. When American business enters a new year stimulated and guided by such an attitude of confidence, the nation may be assured that it already has a firm foundation for continued economic progress.

But I did not accept your kind invitation to discuss with you the prospects of what appears to be a year of competitive business. Rather, I want to talk to you about another kind of competition that challenges every one of us. It is usually described as the battle for the minds of men. And yet I do not believe that it can be stated so simply, for it is undoubtedly the greatest problem confronting management in this second half of the twentieth century. The struggle presupposes more than mere mental victories. Upon the final outcome rests the continuation—the fullest development—of the great potentialities of the men and women who live under private enterprise. And this final outcome will be decided primarily by the degree to which we receive the understanding and cooperation of employees and the public.

Causes for Concern

Those of you who have noticed the addresses of my associates in U. S. Steel already realize that we are concerned about the psychological situation within industry. Our present interest has been stimulated by our long continuing study in search for a better way to convince management and our employees of their mutual interests and economic well-being. In recent months, various reports dealing with the attitudes and opinions of industrial employees have indicated favorable trends which merit the deepest kind of consideration on the part of each of us. All of us will agree that the best managed businesses are those wherein the management and employee attitudes jointly operate to provide harmonious and cooperative relationships. Nationwide polls among manual and clerical workers cite statistics that support my belief that since there is a considerable number of the American work group that is indifferent and apathetic about their work and relations with the company, we have much to gain in our mutual well-being through further improvement in our work attitudes and particularly as these relate to the subject of productivity. The attitudes with which these employees approach their daily tasks may be one reason why our economy is not being propelled to the full extent toward the kind and degree of economic freedom which can sustain and even multiply our national rate of progress.

Perhaps many of us, with production and costs occupying most of our attention, have not looked beyond these spheres for the deep-seated cause of many of our own problems. We may have been much like the young lad who sat watching a movie where his favorite cowboy hero and the cowboy's girlfriend suddenly were surrounded by Indians. The boy was disturbed by this unfortunate turn of events. It seemed to him that his hero's situation was hopeless. Finally, he turned to his companion and in disgust said, "If he had kept his eyes on the Indians instead of on the girl, this would never have happened."

With human effort recognized as a key factor in the industrial equation, one gets down to fundamentals when he discovers that actually it is human attitudes of cooperation, willingness and understanding which bring about a successful application of that effort. The key to industrial progress might then be stated as recognition of the mutuality of interest between management and employees, which expressed in the desire for a growing economy can, in turn, increase personal opportunities and personal success.

The attitude of each man and woman within our industrial system has its own impact on the creation of wealth; and in the aggregate determines the success of the whole process. Accordingly, the achievement of a cooperative attitude in all employees in every industrial organization is worth our concentrated effort. At the same time, we should seek to dissipate those forces which, in recent years have concentrated only on the division of what we already have achieved.

During a century and a half, the people of America have demonstrated greater energy and have accomplished infinitely more, under free enterprise, than has ever anywhere been accomplished under any other economic system. Their voluntary and competitive organization into industry has been chiefly responsible for our ever-improving standard of living and continuity of employment. It has been the means of increasing productivity through development of power production equipment; through the mechanical handling of materials and products; and through continuously greater mechanization in manufacturing operations. Behind all of this, of course, has been the risk-taking readiness of the American investor and the vision and confidence of management to operate boldly in competitive endeavors. And, through this combination, we have surpassed all other nations in our facilities of production. It is worthwhile to remind ourselves of the basically simple but very fundamental processes of our system. We all know that the man armed with a steam shovel can do more than the one armed with a hand shovel, who in turn can do more than one using only his bare hands. Where does the steam shovel come from—such aids can never come into existence except that someone, somewhere, somehow consumes less than he produces so that the margin of saving can be devoted to procuring the tools of production. And why does anyone provide tools for others to operate? I submit that it is only in the hope of securing a share called profit from the increased output that the tools make possible. We should also remind ourselves that never can a new self-sustaining productive job come into existence until someone has provided the tools which permit the employee to produce the marketable values to cover his continuing wage and the owner's profit. These bare facts and principles proclaim the mutuality of interests between employees, investors and management. No one can fail and the other still survive. When these factors, tools—employees—and management, are all in harmony, more and more can be produced in a given period of time, which starts a chain reaction that lowers costs, lowers prices, increases wages, increases everybody's purchasing power. It provides larger margins for more and more tools and hence becomes self-perpetuating and it is the means by which we can maintain a steadily rising scale of living in this nation. Success in this area depends on the harmonizing of these factors. In the final analysis, all of our expenditures for equipment will be to no avail if we cannot expect and realize a high degree of voluntary cooperation between management and employees. In this nation, where there is no ceiling on the heights we seek to attain, we can improve only as each employee obtains greater satisfaction on the job and demonstrates that satisfaction in greater cooperative effort.

In the past 40 years, however, investors have received a proportionately diminishing share of the increasing output from tools and labor. The benefits accruing from mechanization, more efficient equipment and improved techniques have gone largely to consumers in better products and to employees in the form of increased wages and other benefits, such as insurance and pension plans, increased leisure, and finally but most importantly to taxes.

But no one has the right to ignore the jeopardy to the financial stability of business and industry that accumulates if there develops an unfair distribution of the sales dollar by reason of selective taxation or group pressures. And that is just what can happen if one fails to give full consideration to those whose savings make industrial growth possible.

For example, industry's desire to increase productivity was expressed from 1949 to 1953 by an expenditure for new or better facilities of some $120 billion. This is an amount equal to the total investment in producers' durable equipment during the first 35 years of this century and yet the annual rate of total corporate earnings of all industry for these years has been much lower than in correspondingly prosperous peacetime years of the past. Can this be indicative that socialistic chickens are coming home to roost?

The British Dilemma

Along the same line there appears to be an interesting aftermath of the socialistic experiment in Great Britain — a situation which should be brought to the attention of those in this nation who express doubts about our potential. R. A. Butler, British Chancellor of the Exchequer, spelled it out several months ago when he stated, "We must draw back a bit, put more investment in our home agriculture and industry—and so fortify our island and Commonwealth that we shall not slip back into the morass from which we have just extricated ourselves." Apparently Great Britain, which has proved in our time that a nation cannot expand its waist line on a diet of socialism, now sees that its only hope lies in an accelerated return to private capitalism.

Whether such a return can be stabilized in the near future remains, of course, to be seen, as the mark of socialism is difficult to erase in one generation. However, should Great Britain again attain the competitive industrial and commercial position it once enjoyed, and should the enemies of private capitalism make further headway in this nation, what might be the result for American business?

Immediate Goals

Now I do not submit these disturbing observations for the purpose of criticizing any single group within our economic system. I refer to the situation only to remind you of our great challenge.

One of the principal reasons why socialism has made headway in this nation is that part of the people have been falsely led into the belief that age-old government domination and direction of production—which is what socialism is—would be better for us than our own traditional enterprise system. To review the accomplishments of private capitalism, however, is to realize that there is no reason for even the slightest belief on the part of our people that socialism or communism or any totalitarian system can either replace or be successfully combined with it. No one would think of attempting to incorporate the Communist Manifesto, for example, with the principles laid down in the Bible, and yet something analogous is exactly what is being attempted when socialistic theories are suggested as being compatible with our way of life.

And so it seems that perhaps the best method of meeting the challenge ahead is through an educational program somewhat different than any attempted by management in the past. I recall a banker telling me that when men in his profession are being taught to recognize counterfeit money, they are not shown examples of bad bills and coins. Instead they are taught to recognize the good until they can see the good so completely that the bad becomes apparent to them at a glance. And I believe this technique of the banking profession could well be applied by all of business and industry.

The Job Ahead

When one measures all that has been done within industry to increase the opportunities for employee success and financial well-being against the evidence that there remains a significant number of employees who do not believe in the objectives of management and many of whom actually proselyte the indifferent and apathetic, it becomes very important that we ask ourselves some soul-searching questions. What have we done; what have we failed to do; what has created this problem that slows the progress of the very enterprise that provides employment? I believe the answer to these questions would reveal that the incessant, often dishonest barrage of propaganda which has been leveled at the employee group, as well as our population in general, by the enemies of our way of life has militated against correction of those attitudes and opinions among certain employees. The reason for this may be due to the fact that management has not applied the same genius in this area as has been demonstrated so ably in the field of technology.

In meeting the problem of those employees whose attitudes are less than favorable, perhaps our approach has been too academic. We have concentrated on the organizational aspects of the job. We have established departments of various purpose. We have employed outside agencies and groups. We have utilized modern channels of communication. Of course, the very size and complexity of the average business presumes that the work be divided and coordinated within the over-all structure.

We may have forgotten, however, that organization in any company, should determine whether the process can attain the status of a living structure, or, in other words, a systematic entity. The essence of life in an organization calls for the recognition, attainment and practice, by all levels of management, of the cardinal principles of judgment, common sense and human understanding which are inherent in attaining the basic objectives of the business. These principles are the accelerators by which we can attain vitality and by which we can advance the machine to a speed above that of idling. They are the key to creating an entire organization that thinks in terms of a common objective.

There must rise up a dominant singleness of purpose in the minds and wills and hearts of those who make up the group. The effort that is expended by those at the top should be fully reflected through all echelons of management. And not until such agreement exists, and the full potential of our effectiveness is reached, shall we realize success in our search for a better way to meet our responsibilities to our employees, our customers, our owners and the public.

The Time Is Now

A task of such importance cannot be completed overnight, or within a month, or for that matter within a year. It is a matter of urgency, however, that every individual be brought to realize the importance of establishing a work philosophy wherein the mutuality of interests recognizes the necessity for full and complete team action.

The average individual in this nation does not understand atomic energy or any of the aspects of nuclear theory. Yet he accepts them through faith. The average individual cannot conceive of a tiny particle of silicon with a suitable adulterant being able to convert, with extreme efficiency, sunlight into electrical energy. Yet he has faith that modern science can achieve these miracles.

Only a few individuals can understand and explain the existence of our Creator. Yet almost every person in this nation reposes deep and abiding faith in God. Only a handful of persons can fathom the universe and the complexities of distance measured in millions of light-years. Yet each of us has faith that the

*An address by Mr. Hood before the Illinois Manufacturers' Association, Chicago, Ill., Dec. 9, 1954.

universe is a stable, predictable entity.

And so I ask, is it too much to expect that the citizens of this land can come to understand and have faith in the relatively simple economic principles of private capitalism? Is it too much to ask each citizen to act daily in accordance with his faith in the system that has brought us so high a standard of living?

Is it too much to ask that the members of industrial management provide the brand of leadership which can regain the confidence and cooperation of every member of the production team? This is the type of leadership sorely needed to eliminate all deterrents to increased productivity.

And is it too much to hope, that given time, we can win the battle for the minds of men. There is still time, I believe, to put our industrial house in order and create an atmosphere where human attitudes give impetus to a successful application of human effort. There is still time to rebuild in the hearts of men a spirit of understanding based upon faith, and confidence, and a desire to achieve the fullest development of our economic system. It is inconceivable to me that the management talent which created our efficient industrial mechanism cannot, by the same genius, bring about an understanding of the simple truths of that mechanism, a faith in its ability and unwavering confidence that private enterprise is the only economic formula compatible with freedom.

It is inconceivable to me that there is a man among us who does not believe in the Constitution and the Republic, under God, created in this land—in the right of men to unite their financial resources, skills and knowledge in mutual enterprise — to compete in free markets with low-cost quality products and to achieve just rewards for their separate contributions — in the right to advance their personal interests in keeping with the principle of assuring capital to provide tools for further growth.

Who does not believe that the purpose of industry is production and service, and that in the full attainment of these objectives, the hopes and aspirations of employees become inseparable from those of the business or industry as a whole.

Who does not believe further that individual ability is paramount in employment and advancement — and that integrity and a true spirit of fairness provide the only solid foundation for cooperative human relationship.

And who would not pledge himself to uphold and defend the founding principles of our country and to strive through freedom of enterprise for the continued advancement of the national well-being.

This is the leadership which can take us across the most challenging horizon of all—that frontier of the mind, the "beyond that is within each of us."

Merrill Lynch Firm To Admit Partners

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit Harry B. Anderson and Bernard B. Ramsey to general partnership, and Theodore W. Braun, William L. Kistler, Jr., Dorris Merrill Magowan, Retta C. Shoun and Mary E. Walsh to limited partnership.

On the same date William H. Dunkak, Earl W. Huntley, Cyrus H. King, Milija Rubezanin, Ferdinand C. Smith and Manuel Weisbuch, general partners, will become both general and limited partners.

$335,000,000 N. Y. State Power Authority Revenue Bonds Offered to Investors

A nationwide syndicate of about 427 investment banking firms, managed jointly by Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc. together with Lehman Brothers, Harriman Ripley & Co., Incorporated, R. W. Pressprich & Co. and Union Securities Corporation as co-managers, offered for sale on Dec. 21 an issue of $335,000,000 of general revenue bonds, series A of the Power Authority of the State of New York.

The $335,000,000 issue consists of $268,000,000 of 3.20% term bonds due Jan. 1, 1995 priced at par and $67,000,000 of serial bonds maturing on each Jan. 1 from 1965 to 1976, which are priced to yield 2.10% to 2.75% to maturity. It is the largest offering of tax exempt bonds since the $375,000,000 Pennsylvania Veterans' bonus issue of Feb. 16, 1950.

The bonds are subject to redemption, as a whole or in part, at any time on and after Jan. 1, 1963, as set forth in the official statement.

The proceeds to the Authority from this financing together with funds on hand (less $40,200,000 for repayment of outstanding notes and advances, a portion of which has already been applied to construction) are to be used by the Authority to pay for its share of the cost of the Saint Lawrence Power Project. The Authority and the Hydro-Electric Power Commission of Ontario, Canada, are building jointly the Saint Lawrence hydroelectric power project in the International Rapids section of the Saint Lawrence River. The Saint Lawrence River watershed embraces an area of about 300,000 square miles in the United States and Canada and includes the largest body of fresh water in the world—the five Great Lakes. When the joint project is completed, it will be the second largest hydroelectric power development on the continent, exceeded in capacity only by the Grand Coulee Dam in Washington state.

The total construction cost of the joint project, estimated to be in the neighborhood of $600,000,000 will be shared equally by the Authority and its Canadian partner, except for machinery and equipment relating to the generation of power.

The joint project will consist of two major dams, the power-plant structure (which is also a dam), power generating and transforming facilities, extensive channel works, and dikes and wing dams. The maximum installed capacity of the powerplant will be 1,880,000 kilowatts for the joint project, of which 940,000 kilowatts will be installed on each side of the border. Initial generating operations are expected to commence in the fall of 1958, and all units will be installed and in operation by late 1959.

The Authority presently anticipates that it will dispose of the power generated by its units through both short and long-term contracts for the sale to public utility companies, where they have or can establish adequate facilities, to industrial plants located at or near the project site, including the Massena plant of Aluminum Company of America, and to municipalities and other political subdivisions of New York State authorized to distribute electrical power.

The Authority consists of five trustees appointed by the Governor of the State of New York, with the advice and consent of the Senate of the State, to serve for terms of five years each. The present trustees are: Messrs. Robert Moses, Chairman; William Wilson, Vice-Chairman; John E. Burton; Edward H. Case; and Wyman S. Bascom. Mr. William S. Chapin is General Manager and Secretary of the Authority.

The bonds are tax exempt as to interest from Federal income taxes and New York State income tax, and are legal investments under New York law for insurance companies, banks and trust companies, savings banks and certain trust funds, in the opinion of bond counsel.

Among those associated with Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc. and Lehman Brothers, Harriman Ripley & Co., Incorporated, R. W. Pressprich & Co. and Union Securities Corporation are:

Blyth & Co., Inc.; Drexel & Co.; Eastman, Dillon & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Ladenburg, Thalmann & Co.; Lazard Freres & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Stone & Webster Securities Corporation; B. J. Van Ingen & Co. Inc.; White, Weld & Co.

Robt. Gardiner to Be Partner in Reynolds

Robert M. Gardiner

Thomas F. Staley, senior partner of Reynolds & Co., 120 Broadway, members of the New York Stock Exchange, has announced that the firm plans to admit Robert M. Gardiner as a general partner on Jan. 1, 1955. Mr. Gardiner, who heads the firm's Syndicate Department, has been with Reynolds & Co. since 1951.

Bell & Gossett Stock Offered at $13.50

Blair & Co. Incorporated on Dec. 21 headed a group offering 300,000 shares of Bell & Gossett Co. common stock at a price of $13.50 per share.

Part of the net proceeds from the financing will be used to retire the company's long-term indebtedness to insurance companies. The balance of the net proceeds will be added to the general funds of the company and will be available for general corporate purposes.

Bell & Gossett Co. is engaged primarily in the manufacture and sale of various types of heat transfer equipment. Principal products of the company include hot water heating specialties, industrial heat transfer equipment, air conditioning components, air compressors and paint spray equipment, industrial, construction, irrigation and petroleum pumps and related equipment. The principal offices and main plant of the company are located in Morton Grove, Ill., about 15 miles from downtown Chicago. Other plants are located in Midland Park, New Jersey and Longview, Texas.

For the year ended Nov. 30, 1953, Bell & Gossett Co. had net sales of $15,296,380 and net earnings of $728,852, equal to $0.64 per share of common stock. In an unaudited report for the 10 months ended Sept. 30, 1954, the company showed net sales of $16,950,031 and net earnings of $880,257, or $0.71 per share.

Branch, Cabell To Admit

RICHMOND, Va. — Landon P. Cabell on Jan. 1 will become a partner in Branch, Cabell & Co., 814 East Main Street, members of the New York and Richmond Stock Exchanges.

Railroad Securities

Denver & Rio Grande Western

Denver & Rio Grande Western common stock, which has been one of the more conspicuous investment favorites for some time, took another sharp spurt at the close of last week and again moved into new high ground by a considerable margin. This marked advance has, as is usual, been accompanied by rumors of an impending stock split and an increase in the dividend. Either, or both, of these possibilities is considered logical by close students of the road. The present issue is rather small (indicated less than 860,000 shares after recent conversion of the last of the preferred) and the earnings and finances of the company would certainly seem to justify more liberal treatment to the stock holders.

Physically the Denver & Rio Grande Western is in excellent shape. Virtually the entire main line has been rebuilt with heavy rail in recent years. In relation to size the company has installed more Centralized Traffic Control than any other railroad in the country. Maintenance of way procedures have been thoroughly mechanized. New push-botton yards have been built. Finally, operations are completely dieselized and a large amount of new rolling stock has been purchased in recent years. With all of these programs already taken care of the cash needs for additions and betterments have declined sharply. Expenditures for gross additions and betterments to roadway property were cut nearly $950,000 in the 10 months through October, 1954 while expenditures for equipment were cut nearly $5.8 million. Presumably they will be even less next year.

The improvements to the property and the new equipment have been paying off handsomely in point of increased operating efficiency. By last year, for instance, the road had joined that select group of railroads with a transportation ratio of under 30%. The actual ratio was 29.5% or 6.8 points below the industry average. Similarly, the pre-tax profit margin last year rose to 27.2%, one of the highest among the major railroads in the country, and comparing with 15.4% for the Class I carriers as a whole. This performance is particularly impressive when the mountainous nature of the operation is taken into consideration.

Denver & Rio Grande Western has come through the present year of business readjustment and lower traffic with flying colors. Traffic was affected not only by general economic factors but also by the cessation of hostilities in Korea, as a result of which revenues declined more drastically than did those of the industry as a whole, 15.4% for the 10 months through October. Despite this lower level of business, the all-important transportation ratio was up less than a point and for the year as a whole may well still remain below 30%. Maintenance outlays were cut just about in line with the rate of revenue decline and Federal income taxes were substantially lower. As a result, the road is one of the few in the country that so far in 1954 has reported larger net income than a year earlier.

For the 10 months through October net income came to $8,614,363, or $310,130 more than reported for the like 1953 interim. Presumably some further year-to-year improvement will be realized in the last two months of 1954 and for the full year it seems possible that net income may reach $11 million compared with $10.2 million earned last year. This would work out to around $12.80 a share on the present indicated stock capitalization, compared with $11.90 last year adjusted to the same capitalization. For the future, analysts look forward confidently to a continuing expansion in the traffic potential of the road's service area based on further industrial expansion, population growth, and mining activity. Thus, the full earnings possibilities have by no means been exhausted as yet.

"MERRY CHRISTMAS"!

E. F. Hutton & Co. To Admit Three Partners

On Jan. 1, E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, will admit Murray Ward, Alec R. Jack and George P. Kent to partnership in the firm. Mr. Ward and Mr. Jack will make their headquarters in the Los Angeles office, 623 South Spring Street. Mr. Kent will be in the Chicago office, Board of Trade Building.

Elected Director

Mr. Walter B. Sheehan, Chairman of the Board of Standard Packaging Corporation has announced the election of Mr. Homer A. Vilas, Senior Partner of Cyrus J. Lawrence & Sons, to its Board of Directors to fill the unexpired term left by the resignation of Mr. Edward L. Elliott.

Homer A. Vilas

Mr. Vilas is a Governor of the New York Stock Exchange and has also served as Governor and as President of the Association of Stock Exchange Firms. He is a Director of Studebaker-Packard Corporation, Union Bag & Paper Corporation, Millhiser Bag Company and Miimine, Bodman Company.

Bonner & Gregory To Admit W. Gregory III

William H. Gregory, III, will become a partner in Bonner & Gregory, 30 Pine Street, New York City, members of the New York and Midwest Stock Exchanges on Jan. 1.

J. & W. Seligman To Admit Three Partners

On Jan. 1 Fred E. Brown, Frederick W. Pate and Beverly W. Robertson will be admitted to partnership in J. & W. Seligman & Co., 65 Broadway, New York City, members of the New York Stock Exchange.

B. Kestenbaum Opens

JAMAICA, N. Y. — Benjamin Kestenbaum is engaging in a securities business from offices at 167-30 Hillside Avenue.

Social and Economic Changes Since World War II

By AUGUST HECKSCHER*
Chief Editorial Writer, New York "Herald-Tribune"

Picturing role of business as "the Great Innovator, the Great Builder," Mr. Heckscher points out no government or government agency could have done what private business enterprise has accomplished in the last decade. Says dramatic effect of the war was the rebuilding of our cities piece by piece, to open up vast new suburban areas, and to build roads and factories where none existed before. Urges working together and building together to renew the face of America, so as to go forward as a united and self confident people.

It is now nearly a decade since the great War was over and our soldiers returned to this country. The impact of that war on American society, it seems to me, has been deep and profound beyond anything that most of us realized at the start of this decade. It is true that our cities weren't bombed as so many cities in Europe were. The physical environment wasn't changed so perceptibly and dramatically; but forces were set loose in this country, great social and economic forces, which have been just as radical in their effect—which have compelled us to rebuild our cities, to construct whole new cities, to open to industry what had been agricultural fields, to create suburbs, to plan factories where none had been before. All this has taken place, but it requires the trained observer and the sensitive, imaginative business leader to understand fully what is taking place.

August Heckscher

The obscurest epoch, it has been said wisely, is not some past period of history. The obscurest epoch is today. Our own country is in many ways the most difficult of all to know and to understand.

It has been said that as a newspaper man it is my business to know everything that is going on, and so in a sense I suppose it is. And yet I know perfectly well that I don't know everything. Sometimes I may have that illusion. Editing a daily newspaper in a small American city in what may be called "a tightly knit community," I occasionally used to have the feeling that I had my finger, so to speak, on the pulse of that whole public, that I knew everything that was happening, what all the people were thinking. Then I would recall a character in one of Carlyle's books, the old Professor Teufeldroeckh, who sat up in his high tower, looking down at what he called "the considerable city of Weissnichtwo," watching there all the comings and goings of men, with "their wax laying and their honey making." Yet I realized even then that life is much too complex and subtle and swiftly moving for any man to comprehend all its comings and goings, and that a newspaper is far too frail an instrument to be able to hold up a mirror to this turbulent and dynamic kind of society.

"Literature," said Robert Louis Stevenson, "is a poor bull's-eye lantern wherewith to light up the great cathedral of the world." And if this is true of literature, with all its art and all its learning, and if it is true also of history, as I believe it is, then how much more is it true of this daily paper which we put together once every 24 hours and sell for a nickel? It is a poor bull's-eye lantern wherewith to light up all the great events that are transpiring under the surface in our country. Indeed, if I would carry forward that analogy, I would say that the most that we can provide is a kind of moving spotlight which here and there in the midst of the dark and the unknown lights up some particular incident or event and brings it for a short time into the public notice.

I sometimes think as an editor that the proper attitude to take, the kind of humility and the kind of imagination that must be applied to the scene, is not that of a man who thinks he knows or should know everything, but that of an intelligence officer in war time.

I was that. I remember being in North Africa, charged there, with others, to try to find out what was going on in oppressed and occupied France across the Mediterranean. We had for our instruments, for our channels of knowledge, only the few agents whom we could transport by submarine or by parachute or other underground means into France. We had coming out only these fragmentary, ill-digested reports which they were able at risk of their lives to send. And yet, on the basis of that knowledge, we had to make up our minds as to what kind of France would emerge after the War, as well as to the military movements that were then taking place.

I sometimes have thought since, as I picked up the AP or the UP dispatches as they come in my office, that these are not, as I say, accurate reflections and mirrors of total reality; they are more like those imperfect intelligence reports on the basis of which we had to construct what was going on in a darkened country. We didn't know what was going on in France. And do we really know, in any absolute and dogmatic sense, what is going on in this country?

No, it seems to me that I, in my trade, and, if I may say so, gentlemen, you in yours, have got to live with the sense of tendencies unfolding, things developing, which we can apprehend and influence each in our own way, but the total sum of which is always eluding us and is never within our grasp.

The Tremendous Sweep of History

The whole history of America, when you look back on it, is a series of epochs, one succeeding to another, and the men who have not lived with this sense of an unfolding destiny, who have not been filled with this feeling of change, have been those who in one epoch were always talking about the things that had transpired in the last epoch. They were people who were discussing problems that were no longer really relevant, that were trying to provide solutions for things which had resolved themselves; they were arguing in outmoded terms or crying out in faded battle cries.

Just look back at the whole, tremendous sweep of that history. It was only yesterday, was it not—certainly it was only yesterday as a historian looks at time—that our country was entirely preoccupied with constitutional questions, trying to fill the framework of our government with life under the leadership of men who breathed the air of an older world and whose minds had been trained in a classical learning.

But the scene shifts. Andrew Jackson is in the White House, wholly new forces, the farmers, the mechanics, are pushing their way into the light. Great new sections of the country are opening up, and with that comes the increase in tension between the sections, and finally the Civil War itself.

Reconstruction, the closing of the frontier, the growth of big business—each of these marks an epoch in our politics, until finally at the end of the century we find ourselves standing, unprepared and unknowing, at the threshold of the world leadership which since then it has been our lot to undertake. The people then for whom we were responsible were, of course, the people of the Philippines and the people of Cuba.

The 19th Century, with its changes and successions of political interests is fresh in the minds of many of you here—the New Freedom of Woodrow Wilson, Normalcy, the New Deal, the Fair Deal—each of these has succeeded the other, bringing its special problems, its special atmosphere. And it has been, it seems to me, the task of leaders in whatever field always to be at least in the midst of the chapter that is unfolding, and if possible laying out the broad outlines of the chapter that is soon to open.

Now, how might we characterize the dominant interest, the over-arching atmosphere of the epoch in which we find ourselves today? We would agree, I suppose, that it is a consuming interest in foreign policy. Foreign policy, it might be said, is the sea into which all the rivers of this generation flow. All the other issues of politics — finance, civil rights, balancing the budget, our security measures, even our farm program—seem to depend in large measure upon this focus upon foreign affairs.

If this is true—and I think it is self-evident—I would like to say in passing that it seems to me a very sobering and actually a very disconcerting thing to have come about. For it has always been the great question among the philosophers of democracy whether a country like ours, depending upon popular government, depending upon free enterprise and upon the formation of opinion in spontaneous ways, could carry on an effective and consistent foreign policy.

These philosophers have said—for example, de Tocqueville, who came over from France in 1832, or James Bryce, the great English observer in the 90's—they have said America is able to deal with all its problems at home. Democracy, they have argued, can always know where the shoe pinches; but does democracy have the vision and the enlightened will to transfer its interest abroad and to undertake the great tasks which world leadership requires?

I remember one sentence: Democracy, said Tocqueville, is capable of doing everything which is immediately necessary for the welfare of the people, but it can never conceive and execute large designs.

And it is not only the philosophers; it is the teachers of history, too, who have raised important questions as to whether a democracy like ours can live effectively in the midst of a concern with foreign policy. It is true, is it not, that all the countries which have played a dominating role in the world, from Rome in the early centuries of the Christian civilization to Great Britain in the 19th Century, have been aristocracies? All have been countries with settled ruling classes and traditions which were passed on from one generation to another.

Now we are being confronted by this challenge, and it seems to me that in an extraordinary way America, keeping its democracy vital, has been able to disprove the teachings of history and the doubts of the philosophers by maintaining in these last ten years a foreign policy that was both effective and consistent. We did not return to isolationism, though the temptation was obviously strong to do that. We did not abandon the great alliance we had built up during the war. On the contrary, we fortified it, we encouraged it, we shaped it to the new needs of the postwar world. We have been generous, you might say, with our funds, and gentle with our force. And when we did come, in 1952, to the great alternation of parties, when the Republicans took over where the Democrats had been ruling before, we found, instead of having all our plans for foreign policy overturned, that this saving consistency continued. Our leadership in the world was basically unchanged, and America was still walking steadfastly down the path which the overwhelming wishes and desires of our people had marked out.

Changes Taking Place at Home

That, it seems to me, has been the task of the past decade, and I am not going to suggest in anything I now say that we should retreat from that or abandon it. But I am going to suggest that during this period we have tended to neglect the great changes that were taking place here at home, and that unless we can turn back on America, unless we can come back home to a wholehearted and full appreciation of all the opportunities that lie here in our midst, then the great promise which America has held up to the world—the promise of its foreign policy—will fail.

Democracy can only project its vision and its influence in proportion as the promise of democracy and the reality of democracy are kept vital here at home.

I was in Plymouth, Massachusetts, the other day, and as I passed through, there came to my mind a great quotation from Bradford in his "History of the Plymouth Plantation": "They knew that they were pilgrims," that phrase said, "and they comforted their spirits." It seems to me that in this next epoch, in this decade that we are now entering upon, Americans must remember again that they are Americans and from that simple fact must draw the energy and the good will and the mutual trust which will enable them to solve the problems that are coming up here at home.

I spoke at the beginning of the great changes that have come over America. The opening scenes in the fine film we have just seen document those in many fields better than I could in mere words—the changes in farming, in medicine, in industry, in the way people live and communicate with one another. In all these fields, there has been, as I say, an immense transformation of the environment, half perceived and only half understood.

Our population is today 160 million. I know I tend to think that it is the same population as it was when I was in college. I find myself saving "A great country of 120 million." But now there are cities where none existed before. The fields which were given over to farming only a short while ago, as out on Long Island and in New Jersey, on the two sides of us, have grown up into new communities of men with their new hopes and their new aspirations. And while this has been going on, whole new classes of people have been coming into a fresh participation in the democratic process.

I take as one example the Negroes. I don't think that we have fully comprehended or measured yet in any way what is going to happen in this country as the result of the Supreme Court decision of May 17 of last year, that great decision which announced that the principle of "separate but equal" is to be banished forever from our educational system. That is surely going to bring a release of energy which those who are leaders in the community will have to guide and bring into good channels.

I think again of the new role that women are playing increasingly in our politics. Perhaps in this audience I may quote a sentence which I came across the other day in a very solemn book on sociology: "To be a woman," it said, "is not necessarily a defect, but it is certainly a peculiarity." Well, gentlemen, in politics to be a woman in these recent years has been, it seems to me, a saving peculiarity, for their entrance into the democratic process with a new fervor and interest was responsible in no small measure for the movement which brought President Eisenhower and a Republican Administration to power in 1952.

The Movement to the Suburbs

Take again these people who have moved to our suburbs. Often it is said that living there in their small houses and with their small gardens, they are secure in their life, that they don't need any more attention, that forever after they are safely in the Republican column. I just don't believe that. As a Republican, I sometimes wish I could. But I know that wherever people are gathered together in new communities, especially young people, there are aspirations which break through the settled habit of custom and expectation and create new desires which have to be met by a vital society.

I take the schools as an example of the kind of transformation we have to face in the next decade. I remember talking once with Governor Warren who said to me, "Well, of course, I have to be a liberal Republican for you must realize that there are 300,000 children, new children, coming into the schools of California every year." And, in a report that was published only yesterday by the National Citizens Committee on our public schools, these figures were brought out, that in the next decade we are going to have 48 million children in our schools as opposed to 36 million today. But at the same time, lest we should feel some sense of frustration or despair, because of that immense new burden upon our social system, the report brings out the fact that our national production will increase by 44% in this same period. The committee's conclusion, and I quote textually, is this: "There is no doubt that the country will be able to pay for all the education needed a decade hence. The financing problem will be how to make available for education a relatively small percentage of our national income and production."

It requires vision, it requires courage and imagination, to know where to get even a small part of our national income to apply to this great problem of education. But if we see the problem emerging, if we know its importance, if we relate it to the vitality of the democratic process by which

*Stenographic report of an address by Mr. Heckscher at the Annual Meeting of the Institute of Life Insurance, New York City, Dec. 7, 1954.

we live, then surely there is no question but that we shall meet it.

Problem of Roads

Another comparable problem is the building of the modern roads which we need in this country. President Eisenhower, as a true conservative, has recognized that transportation lies at the very heart of national unity and of national enterprise. In that he has gone back to the vision of Washington, of the early Federalists and the early Whigs who built up a great system of canals and toll roads, realizing that America never could be a nation unless these vast internal improvements took place.

How are we going to finance those roads? The Administration is now in the midst of working out schemes which will be announced, I believe, at the next session of Congress. These plans will cost money, of course, but again, with imagination and social inventiveness, it can be done without materially increasing the national debt or bringing the national budget further out of balance.

And now, a word about the role of business in all these changes. Gentlemen, this Institute surely has led the way, and there is little that I can add to what the chairman of this meeting has already said about the responsibility and the opportunity that lie before business leaders.

Let me only say this, that business is the great builder and the great innovator in a democratic society. I know we hear people taking it for granted that business is a conservative force, and sometimes after dinner one does hear discussions about not rocking the boat and all that—but when businessmen talk seriously, when they come together in a gathering like this, or when, if I may say so, they take a page in the "Herald Tribune" to get their message across to the people, they don't talk in that tone and that mood at all. At least I have never seen any advertisement for an automobile company announcing that the automobile that was good enough for one's father is good enough for the present generation!

I stood a month or so ago on Sixth Avenue here in New York and I watched the Center Theatre being taken down stone by stone, leaving the bare steel which afterwards was to be taken down also. That great theatre which had been set up 20 years ago as the finest in the world, and here it was being replaced by something which changing conditions had made necessary. I thought to myself, if an editorial writer had urged that this building be taken down and a more profitable one put in its place, he would have been said to be crazy indeed.

Let me give you an example right in our own backyard. Would any government planner have been audacious enough to announce that Park Avenue, here, in the heart of New York City, should be transformed between 47th and 60th Street from an area of large apartment houses into an area given over to commercial structures and offices? No government official would have dared to say that. And yet that very thing is happening, in gigantic strides, right under our eyes. Those of you who come back a year or two years from now will see how immense is the progress that has been made in this line. The Grand Central Terminal, the Pennsylvania Terminal, both of those are now being discussed with a view to replacing them by facilities that are better keyed to the modern ideas of transportation.

These things, and things like them all over the country, can be done and will be done as we turn back to a real appreciation and understanding of what America can be.

The Foreign Situation Problem

Let me only say as I conclude that the involvement in foreign policy of this past decade not only must continue for its own sake but is teaching lessons in the way of action and in the way of thought which can serve us mightily in this task of making over America so as to rise to the level of its immense possibilities. We have learned during this period of foreign policy the diversity of the world. We have realized that people cannot be forced to think as one group or one class, and we must apply those same lessons to the regions and the states of our own country. We have substituted only recently the concept of partnership for the concept of absolute leadership. And doesn't it spring, this idea of partnership, from the same inspiration that is leading our national government to seek out ways for industry and government to work together in the use of our great national resources and in the development of electrical power?

Again, take the concept of bipartisanship as we have shaped it in foreign policy. I would like to think that something of that spirit, too, would be brought back home and could help us in solving the problems that open up before us. I don't mean, needless to say, an end of controversy. I don't mean an end of great debate, where great social measures are at stake. But I do mean, as we have learned in foreign policy, a recognition that there are limits beyond which partisanship cannot go without tearing apart the fabric of our society and destroying the very thing that we seek to create.

As we go forward in this spirit and with these ends in view, it seems to me that we will as a people recapture and reaffirm the spirit of tolerance and confidence which too often in late years we seem to have lost.

It won't be a Utopia. It won't be a millennium. We shall still be surrounded by great dangers without and still be tortured by deep problems from within. But we shall go forward together, step by step, up toward the elevation from which men can behold the kind of peace and well-being which the heart longs to attain.

New Skyscraper to Be Erected at 20 Broad

A doorway familiar to millions of people throughout the country is slated for oblivion next week, Keith Funston, President of the New York Stock Exchange, disclosed.

Twenty Broad Street, which houses the famous entrance to the Visitors' Gallery of the Exchange, will be razed in one of the biggest demolition jobs in the history of the city. 20 and 24 Broad Street will be torn down to make way for the first new skyscraper Wall Street has had since 1931.

Mr. Funston pointed out that demolition of 20 Broad Street will eliminate temporarily some of the space occupied by the Exchange's Public Reception and Exhibit Rooms, as well as Wall Street's celebrated minature theatre.

He added, however, that a streamlined version of the Exchange's Public Reception quarters has been started at 18 Broad Street, where visitors to the Exchange will continue to be welcomed by the Exchange's staff of receptionists.

The new exhibit area in 18 Broad Street will provide for 12 corporation exhibits and six Exchange exhibits installed on the ground and first floors. The renovation will include installation of a new doorway to accommodate a larger flow of traffic.

The new building to replace 20 and 24 Broad will be known as 20 Broad Street. It has been planned so that the area of receiving the public will be twice that previously available. Another theatre will be constructed with a seating capacity roughly double the present theatre's 44 seats.

The site for the new building was leased by the Exchange to General Realty & Utilities Corporation for 25 years, with the option of three renewal terms of 21 years each. A subsidiary of General Realty will construct the skyscraper and, in turn, lease back to the Exchange about 20,000 square feet of space.

Millions of people have visited the Exchange since the Exhibit Rooms were first opened in April, 1939, and completely redesigned in 1951. Two hundred and fifty thousand people have visited the Exchange in the first 11 months of this year—as may as 2,407 on Nov. 26.

School groups, he added, are among the most popular visitors—either at the grade school, high school or college level.

In the spring, fall and summer—especially summer — Mr. Funston continued, the typical visitor is likely to be from California, Texas, Illinois and Pennsylvania—unless he or she is from Indo-china, Norway, Japan, Guatemala, or Timbucktu.

In the past year, he continued, the Exchange has been visited by the correspondents of Tass, the Russian news agency, the Australian Financial Review, the South African Capetown Daily, the London Daily Express, a Correspondent for the Spanish news service ABC—and Brigette Friang, the little French news "correspondette" who parachuted into Dien Bien Phu.

John R. Haire Named Secretary of NYSE

John R. Haire has been appointed Secretary of the New York Stock Exchange, effective Jan. 1, 1955, Keith Funston, President, has announced. He succeeds Edwin B. Peterson who has served as Secretary since 1950. Mr. Haire will also succeed Mr. Peterson as the Exchange's Arbitration Director.


John Haire

Mr. Haire, joined the Exchange in September, 1953, as Special Assistant to the President. Before coming to the Exchange Mr. Haire, a Massachusetts attorney, was legal and financial aide to William H. Vanderbilt, former Governor of Rhode Island.

Mr. Peterson resigned from the Exchange as of Dec. 31 to become a general partner in the Exchange firm of Francis I. du Pont & Co. He has been with the Exchange since 1933.

Amott, Baker To Be NYSE Member Firm

Amott, Baker & Co. Incorporated, 150 Broadway, New York City, on Jan. 1 will become a member of the New York Stock Exchange. Officers are Harry R. Amott, President; John H. Hawkins, Vice-President and Secretary; Wilbur J. Janssen, Treasurer, William J. Baroni, member of the New York Stock Exchange, Vice-President; and Allan H. Levian, Assistant Secretary.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

In spite of the large losses suffered by fire insurance companies in the last few months from hurricanes and windstorms and even though several companies are likely to show underwriting losses for the year, several companies have recently increased their payments to stockholders and others may do so in the coming months.

As an indication of the extent of the losses experienced by some companies in the three storms the figures announced recently by The Home Insurance Company are significant. According to this estimate, hurricanes Carol, Edna and Hazel will cost The Home about $21 million. Because of this loss operating results for the first 10 months of 1954 showed an underwriting loss of close to $15.9 million. In view of this, The Home is likely to show a sizable underwriting loss for the full year. Because of the widespread damage it is likely that a number of other companies will show a similar experience.

The Home Insurance Company writes slightly more than 6% of the extended coverage and tornado business in the country, a percentage considerably higher than for many other companies, so that the total loss or its relationship to other business is not necessarily representative of the industry or what other companies may report. However, its magnitude and the impact upon the industry is indicated by this experience.

In view of these losses, it seems logical that the fire companies generally would be conservative in their dividend policies. Undoubtedly this has been the case and many companies that might have considered increasing their payments have postponed such action until a more favorable period. Even so a number of companies have recently enlarged their payments and others are likely to do so.

The Hartford Fire Insurance Company announced last week that stockholders at the annual meeting to be held in February, 1955, will be asked to vote on increasing the company's authorized capital from $20 million to $25 million. Providing this proposal is approved a 25% stock dividend would be declared. It was also stated that after the stock dividend was distributed, it was the intention of directors to continue the current cash dividend at the present rate of $3.00. In effect this would amount to $3.75 on the present shares and represent a substantial increase in payments to present holders.

Another of the Hartford companies that has paid a stock dividend in recent months is Phoenix Insurance. On Oct. 15, this company distributed a 33⅓% stock dividend. On Dec. 6, a quarterly dividend of 75 cents a share was declared. Previously 85 cents a quarter had been distributed. However, when adjusted for the larger number of shares, the present payment of 75 cents compares with the equivalent of approximately 64 cents on a comparable number of shares. Thus, the increase in cash income to stockholders amounts to approximately 15%.

Boston Insurance last week increased its payment to stockholders. In 1954 this company made quarterly payments of 35 cents or a total dividend of $1.40 for the year. Beginning in January, 1955, the quarterly rate has been raised to 40 cents a share indicating a total payment for next year of $1.60.

Aetna Casualty & Surety was not influenced as the fire companies were by the recent storms. It also recently increased its cash dividend. Heretofore, the company paid quarterly dividends of 62½ cents and an extra of 50 cents for a total payment of $3.00 in 1954. Beginning in January next year the company raised the quarterly rate to 75 cents and declared an extra of 60 cents a share. This would indicate a total payment for 1955 of at least $3.60 a share.

While there has been some improvement in certain underwriting lines, the results for the fire companies as mentioned previously will not be too favorable. Thus the larger dividends are primarily a reflection of gains in investment earnings.

Historically investment results have been a more important determinant of dividends than underwriting results. Once the losses from the hurricanes have been absorbed a better feeling should prevail in the industry. This combined with better investment results should be reflected in a more liberal dividend policy by other companies.

"MERRY CHRISTMAS"!

A. H. Bennett Forms New Corporation

KANSAS CITY, Mo.—A. Harry Bennett, municipal underwriter in Kansas City since 1922, has recently organized a new company to be known as A. H. Bennett & Company, Incorporated, to succeed A. H. Bennett & Company, a partnership.

The new firm will continue to deal exclusively in the municipal securities of the states of Missouri and Kansas as the partnership has done for a number of years.

Officers besides Mr. Bennett, President, include L. A. Bennett, Vice-President and Glenn E. Schultz, Secretary - Treasurer. Other members are Edward P. Fischer, II, Manager Sales Department, Vincent R. Blackford, Manager Buying Department and Leonard C. Menzie, newly affiliated with the firm in the Buying Department.

Investment Ass'n Elects Officers for '55

At its annual meeting, the Investment Association of New York elected H. Lawrence Parker of Morgan Stanley & Co. as President for the forthcoming year. Mr. Parker graduated from Yale University in 1949 and has been associated with Morgan Stanley & Co. since that time.

H. Lawrence Parker

Other new officers elected at the meeting are: Avery Rockefeller, Jr., Dominick & Dominick, Vice-President; Edward B. De Selding, Spencer Trask & Co., Secretary and Robert H. Austin, Jr., Kidder, Peabody & Co., Treasurer.

The Association was formed at the close of World War II by a group of the younger men in the investment banking business. It now has a membership of approximately 350, all of whom are under 35 years of age.

Francis I. du Pont To Admit New Partners

On Jan. 1, Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Henry Stefany and Edwin B. Peterson to general partnership and Frederick B. Hufnagel, Jr., to limited partnership. Mr. Stefany will make his headquarters in the firm's Chicago office at 208 South La Salle Street.

Marvin A. Chapman, general partner will become a limited partner in the firm Jan. 1.

On Dec. 31 Charles Isaacson and Robert H. Garner will retire from the firm.

Burns Bros. Denton Makes Appointments

Burns Bros. & Denton, Inc., 37 Wall Street, New York City, announce the following appointments: Jay Gould, Director; Joseph C. Cabble, Vice-President and Director, and Gorham P. Gensch, Secretary.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The change in monetary policy which had been suspected recently was given official confirmation last week when the Chairman of the Federal Reserve Board, speaking before the Bond Club in New York City, said that the emphasis in policy had gone from one of "active ease" to one of "flexible ease." This announcement had its effect upon a Government market, which is very thin and not entirely unprofessional. Quotations of most issues gave ground, with the major part of the decline taking place in the intermediate and longer-term obligations.

There has been a modest increase in the yield of short-term Treasury issues, and although an interpretation of the "flexible ease" policy is not readily available, it is not expected that the return on these securities will increase very much from prevailing levels. On the other hand, the middle and long-term issues are not likely to put on any spurts on the upside under the recently adopted Federal policy.

Now a "Flexible Ease" Policy

According to reports, the Federal Reserve Board has shifted the emphasis in its monetary policy from one of "active ease" to one of "flexible ease." What this means to the money markets will be told only with the passing of time. However, the fact that the word "ease" is still part of the policy is being interpreted by some money market specialists to mean that there will not be any too drastic changes in the level of interest rates. Nonetheless, Chairman Martin saw fit to state that a change in policy had taken place, and this could not be ignored by the money markets, because this is a pronouncement that carries with it real significance.

Impact of Mr. Martin's Remarks

The Federal Reserve Banks, under the "active ease" policy, created reserves which could be used by the commercial banks, and in this way there was a certain amount of stimulation given indirectly to the business picture. To some the change to "flexible ease" does not mean that excess reserves will not be created by Federal, but it does mean to them that they will not be made as readily available as in the recent past. To others, it looks like a moderate tightening of the money market should be expected since there will not be the same rescue efforts by the powers that be. On the other hand, there are those who do not believe there will be much change at all in the monetary policy, but the money markets will be kept off balance, by speeches, statements and double talk, by those that have to be heeded.

There is considerably more than the money markets involved in the monetary policy of the Federal Reserve authorities. The business pattern of the country is the most important factor in this or any future monetary policy. To be sure, the business outlook appears to be very "rosy," and rather than have this bloom into another inflationary situation, the powers that be may be taking the first step to prevent such a thing happening. On the other hand, a change in monetary policy is not going to be so drastic that the business recovery is going to be nipped, before it is on too firm a footing.

Putting the Brakes On

There is likewise a very large demand for mortgage money because the building picture is very favorable. This industry has a very marked influence upon the whole business picture and by no stretch of imagination is the Federal Reserve Board going to do anything that will have an adverse effect upon it. On the other hand, a building boom that might get out of hand would not be a good think for the economy either.

Accordingly, it may be that the monetary authorities are attempting to prevent just such a thing from taking place. Under such an assumption, however, this does not mean that there will be very important changes in monetary policy.

The boom in the equity market is undoubtedly another point of concern to the monetary authorities and this is a segment of the economy that should not get out of hand, either. However, it seems as though a great change in monetary policy is not necessary to put some brakes on the equity market if and when they might be needed. On the other hand, there is very little bank credit in the stock market.

Less Stimulation in Prospect

The change in emphasis in the monetary policy which is going from "active ease" to "flexible ease" does not mean that a policy of "neutrality" or "restriction" has been adopted by the monetary authorities. The "flexible policy" is being interpreted in some quarters to mean that the Federal Reserve System is not going to eliminate the stimulants entirely, but the size of the doses will be smaller and less frequent.

"MERRY CHRISTMAS!"

Wagner, Stott Partner

Robert L. Stott, Jr., member of the New York Stock Exchange, on Jan. 1 will become a partner in Wagner, Stott & Co., 11 Wall Street, New York City, members of the New York Stock Exchange.

Whitney, Goadby To Admit

H. N. Whitney, Goadby & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Thomas E. Wood, member of the Exchange, to partnership.

New Orvis Partner

Orvis Brothers & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit William F. Bohner to partnership. Mr. Bohner is a partner in Whitcomb & Co.

Herbert Stern To Admit

Herbert E. Stern & Co., 30 Pine Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit Fred Dunkels to partnership.

Continued from first page

Role of Credit and Monetary Policy in the Economy

feel humble, just start writing your qualifications to regulate the money supply of this great country of ours. I can assure you that whatever attainments have been mine in this life seemed to be extremely inadequate for the task which I was assuming. I was just about at my wits end for how I would approach the hearing the next morning when something came to me that has stood me in good stead ever since.

I got to thinking about it, thinking about it seriously, and I thought "I have been in and around and on the fringes of money, banking, credit, stocks, bonds, for getting onto 25 years, and the only thing I have learned is how very little any of us know about money."

The point that I want to emphasize with that introductory remark is that knowledge and research and painstaking study and experience are all vital requirements, I believe, of sound monetary management, but in the forefront of all of them I place humility. I believe that without that characteristic we can be led down a fool's paradise by endeavoring to carry out our responsibilities in the field of money and banking and credit.

Having said that as a key to my remarks, I don't want to mislead any of you by making you think that I don't see the danger of that. People that talk about humility are seldom humble, from my experience, and I am also certain that humility alone would be of little use in the cross-currents and cross-inconsistencies of the complex economy that we have to deal with. They are at times bewildering. They overcome all of us. And unless one has some basic principles, one is going to be tossed about on this tempestuous sea without any real conviction that there is a sound course that can be followed.

Principles that Act as Guideposts

And so I believe that you have to put this into the focus of general principles, and it is my conviction that there are certain principles that can act as guideposts, and that those principles are the ones that we should carefully weigh in all the decisions that we make, and in all of our efforts, and that this community has a responsibility.

Granted that I know the necessity of salesmanship, and I realize that a great many in this audience devote most of their time to salesmanship. I am not making an appeal or a criticism of the Street that there are too many salesmen and not enough financiers. Nevertheless, the fact remains that it is essential, I think, that we have some understanding of the foundation on which we rest, and of the framework and the structure of this economy in which we are working and making our living.

Two Aspects of Money and Credit Policy

I would like to talk about just two aspects of this problem of money and credit today. The first is the institutional aspect, the Federal Reserve System, which I have the privilege to represent today. Too few of us I think realize how clearly the roots of the Federal Reserve System are in the soil of our American democracy, and how firm they are on an understanding that an abuse of the money power can be a tyranny which can destroy all liberty and freedom.

I am not going to give you a discourse on the early history of this country and the evolution of the Federal Reserve. Mr. Leffingwell, I am sure, knows far more about it than I do. But I am confident that the reason that we approached this major step of a managed currency — because that is what we have today— was one that we took with a great deal of caution and care following the money panics of the 80's, culminating in the panic of 1907, and a recognition on the part of the public that the emphasis of the free market, as then constituted in money and credit—the decisions of it in that type of market were too severe to be accepted, and with fear and trembling I think in some quarters, and with a good deal of vision in others, we set up an instrumentality.

In the Preamble of that instrumentality, there were only three things that were talked about: providing facilities for discounting commercial paper; providing an elastic currency, and improving supervision of banking. There wasn't any comment about creating stable conditions throughout the economy, acting as an overlord for the economy, developing it to an organization which would be responsible for stability and prices, and would look to a higher standard of living and high standards of consumption, production, and distribution in this country of ours.

Yet, gradually, as this institution has developed, its very nature, and the development of this country, has accumulated around it these tacit and clear objectives and purposes. I believe that today it is understood that granted the limitations of money and credit, nevertheless, what we are endeavoring to do is to maintain a money supply in this country which I see as a simple simile.

We want the flow of money and credit in this country to be like a stream, or a river. That stream and river is flowing through the fields of business and commerce. We don't want the water overflowing the banks of the stream and flooding the field on either side. We don't believe that you can just sit on the banks of this river and get rich by dipping your dipper into the stream that is going by. We recognize its limitations. We understand that there has to be irrigation and drainage. But we do see the flow of money and credit as something which must be related and tuned to the business economy in such a way that there will be an adequate supply without inducing inflationary pressures. We recognize in that, that is the basis upon which this institution is established.

That is a rather large undertaking, and no one can be surprised if there was a good deal of trepidation in seeing this movement from private to public control, and I simply cite the First Bank of the United States, where only a little stock ownership by the Government and permission for statements to be made to the Secretary of the Treasury was all that the Congress would permit of public influence to come into that organization, because it was recognized what abuse of the public credit could provide. But by the time we had the Federal Reserve Act, we had a clear mandate from the people that the Congress recognize that the power of money was its, and that it could not exercise this power as a Congress, that it needed to have it administered by some group that would be free in their administration, as is the judiciary, to make its decisions objectively, clear on the one side of private pressures, and on the other side of political pressures, and that ultimately, of course, those decisions would have to stand at the bar of public opinion, as does everything in a democracy.

And so there was set up in the Federal Reserve Act a trusteeship over money. I like that concept, because I think we all understand it. The trust indenture of that trusteeship was the Federal Reserve Act. Instead of having a single bank with many branches, we established a regional system, which is now 12 banks, 24 branches, a Federal Advisory Council, comprising some 250 directors throughout the country, and the composite of that group was brought to bear in a single coordinating agency whose primary task is coordination and centralization of policy, so that it can effectively work in the Board of Governors of the Federal Reserve System in Washington. I think you can see the purpose of having a regional system of that nature.

A lot of misunderstanding seems to me to develop because people feel that the Federal Reserve System is neither fish, flesh, nor fowl. It is quasi-public. The Board in Washington is clearly Government, and when we talk about independence, we talk about independence within the Government. The banks, the Federal Reserve Banks, are quasi-private. I like that in preference to quasi-public. The member banks select six directors of the nine on the directorate. The Board in Washington appoints three. Each bank has nine directors. These individual banks do not belong to the member banks who are stockholders in it. The ownership of stock in the Federal Reserve Bank is not proprietorship. It is a device for participation in the management. I think it is important that you gentlemen realize what your heritage is, in being permitted to bring to bear your influence through these directorates which are chosen frequently all too carelessly. This is a right that should be zealously guarded. So much for the instrumentality, and for the basis upon which it rests.

Concept of the Free Market

Now I want to direct my concluding remarks to this concept of the free market. It has become very popular, I might say, in the last 10 years to more or less make fun of the concept of the free market, and I have been through a period in Washington now over a decade in which I have seen that trend develop, and I am glad to say I think it is being reversed at the present time.

Under wartime conditions, of course, the concept of free markets goes almost entirely out the window. But in the broad sense, what we are talking about when we talk about free markets is permitting the forces of the market to have some play. The decision to unpeg the Government securities market taken in March of 1951 was a decision to restore to the market some of the influence—not all of the influence, but some of it — which had been denied it by Government policy for a period of nearly 10 years. Government securities cased to be interest-bearing money. The process of business began to operate again, and the credit mechanism began to function once again as it should, as one of the governors on the fly-wheel of the economy, and many pepole were amazed at the influence and the effect that it unquestionably had, along with other factors, in slowing the inflation that was then going on.

Federal Reserve-Treasury Accord An Act of Statesmanship

I would like to stand here and tell you that that decision, that the so-called Federal Reserve accord, was an act of statesmanship. I couldn't truthfully says that, because necessity is frequently the mother of invention, and you were driven back to first principles at some point. The essence of what I am trying to say in these brief remarks today is that there still are principles that are with us, just as surely as the law of gravity in the realm of nature, and one of those principles, gentlemen, is the law of supply and demand.

We went through a period when we were told that exchange rates didn't make any difference. We had wartime controls that would take care of them. We were told that prices didn't make any difference. We were told that tariffs don't make any difference. We were told that interest rates might have some effect, but after all, they were no longer a major factor; only classical economists thought in those terms. But when we came face to face with the law of supply and demand, the volume of government securities pressing for sale in the market was so great that the Treasury and the Federal Research approached the problem as a man might approach the walk under Niagara Falls with an umbrella trying to keep from getting wet. It was not a case at that point of buying a few million government securities; it was a case of buying billions of government securities, if we were to maintain a rate of 2½% on those securities.

Now there is a fiction—I believe a fiction — that the Federal Reserve can control interest rates completely. I happen to be one of those who still believe that the credit and money of this country is at the grass roots, and I know a great many of you will understand me in what I am saying. But I honestly believe that the composite judgments which come up through groups like this, through groups in various towns and hamlets throughout this great country, has more to do with the credit basis of this country than has the influence of the Treasury and the Federal Reserve put together, damaging as our effects may be if we miscast our policy at a given time.

What I want to leave with you today is that this concept of the free market is not a shibboleth. It is a matter of degree, and neither the Treasury nor the Federal Reserve, in my judgment, can afford to ignore the dictates of the market, because we have seen through a period of time, through a tested period of time, that by and large these judgments of the marketplace — and they are degrees in essence, of course — are better than the board of directors of any given company, or any Secretary of the Treasury, or any Federal Reserve Board. What we are dealing with in the concept out of which our liberty was cradled, and the economy on which we are building, is an understanding that our free way of life depends upon recognizing that private property, free competitive enterprise, and the profit motive, operating around the broad modifying principle of the greatest good for the greatest number, and modifications there must always be—there isn't anyone who thinks that the concept of private property is the same today as it was at the time the Pilgrims landed on Plymouth Rock. By and large, under our democratic institutions, and with our form of government, the greatest good for the greatest number will be achieved by permitting the maximum influence of the market in a free open market, where the price mechanism can register its reflections.

In Favor of Minimum Government Intervention

That, simply stated, is the philosophy upon which our money management is resting today. In every situation that we face, it is a developing and a fluid operation. I know that people would like to have us make striking pronouncements. People would like to have us say that at a given point policy was turned. I say that the policy that we are dealing with in fluid, flexible money and credit management is tailoring a policy to a dim and obscure future, a future that can only be properly fitted by many fittings, a future where you have to take the garment and reshape it and remodel it from time to time, and be prepared to reverse it on a day-to-day, week-to-week, month-to-month basis. If that responsibility is to be ours, we should do it on the basis, as far as possible, of minimum government intervention, rather than maximum government intervention, and that if we follow those principles, we have here an economy which will put to shame the efforts of the other economies of the world, not that they don't partake of these same principles.

Let me just say, in conclusion, that at some point I know, from my experience, that economics becomes theology. It becomes a matter of faith. You cannot get away from that turning point in it.

Many years ago, as some of you have heard me recount, I came under the influence of a very brilliant and a very able professor, who loved to make fun of what he called the parrot phrase, the American way of life.

He said that's just for 4th of July orations and you cannot even define it. It used to worry the life out of me. I used to go back to my room and sit down and try to put together various facets of this, and I couldn't get an answer for it.

I have the greatest respect for the individual I am talking about, but it wasn't until I had been ten years down in this community that it came to me as a deep-seated conviction how wrong he was, because without endeavoring for one moment to engage in any corn, the American way of life is a way of life whose glory is that it cannot be defined. It is modified and attuned to the times we are living in and around these basic concepts. If we forget those basic concepts, we have undermined its whole foundation.

And so I want to leave with you today the thought that money and credit policy on a flexible basis, an instrument like the Federal Reserve System, which must be modified also from time to time, and is certainly not held forth by me as a perfect institution, is the very basis of our economy. If we will adhere to those principles and have some understanding of what flexible money and credit policy means to our way of life, and to our livelihood, we have nothing to fear for the future.

Stancan Uranium Shares Offered

Gearhart & Otis, Inc. and F. H. Crerie and Co. Inc., on Dec. 17 offered 1,750,000 shares of common stock (par one cent) of Stancan Uranium Corp. at $1.50 per share "as a speculation."

The proceeds of the offering will be used by the company to pay for certain claims already transferred to the company, preliminary exploration and drilling, and other organizational expenses, and the remainder will be added to working capital.

Stancan Uranium Corp. was organized for the purpose, among others, of acquiring, exploring and developing uranium properties in the Blind River Mining Area, in the Province of Ontario, Canada. The company is the record holder of 630 unsurveyed and unpatented mining claims covering approximately 25,000 acres in Blind River.

On Our Dollar-Aid

By ROGER W. BABSON

Mr. Babson, in discussing the dollar-aid program, points out there is a mistaken notion that money will buy everything, including the way Europeans think. Says Europe should know that freedom cannot be bought with dollars without sacrifice, and the practical cure for Communism is not material, but spiritual. Concludes "we must practice and teach sacrifice."

Three specialists, just back from Europe, discussed the effect of our dollar-aid program abroad. Since this was a small, closed meeting, I shall not identify these men. What they said was that the millions of dollars spent in Europe have not, as had been hoped, won very many of our European neighbors to our way of thinking. The thinking behind our multi-billion-dollar aid program was that we could raise the living standards of Europeans by increasing their productivity. This means by showing them how to develop mass markets for their manufactures. We hoped to win converts with refrigerators, shoes, radios, and many other items.

Roger W. Babson

What we seem to have overlooked is the fundamental European desire for security. The American economy is dynamic. Competitiveness is inbred; risk-taking and venture capital are common denominators of our success. The European economy, on the other hand, is a static, protected economy. Production is stabilized; prices are controlled; the worker is protected; competition is discouraged; the common denominator is security. People are interested in working harder for security, but not in selling more units at less profit per unit.

A Cynic's Reaction

One cynic in the group said, "All right, then why do we try to force the American ways on Europe? These Europeans are happy; why should we unload a dose of American ulcers on them?" A comment from another went something like this, "Austria's productive capacity has been sharply increased since World War II. We were not concerned about them before the war; why should we be concerned now?" A reputable economist in the group raised another issue: "Europe knew it had a threat from the East, an enemy in Communist Russia. Might not Europeans now believe that they have two enemies seeking to infiltrate or absorb them — Russia and America?"

My own belief is that we must fight poor economics with good economics. We cannot hope to sell democracy to people who are economically enslaved by their institutions. If we do not act constructively, we shall lose Europe to Communism by default.

Our Spiritual Value Below Par

I have a pet notion which I know will shock some of you, but think about it a while. Our dollar bill is a good measure of our spiritual values! A paper dollar isn't worth anything of itself; but, as a medium of exchange, it is a measure of values. If reflects such spiritual values as honesty, wisdom, courage, and integrity. From 1939 to 1953, the value of our dollar declined from 100 cents to about 55 cents. Does this decline in dollar value mirror our decline in character?

Dollar depreciation is largely a result of war. But why? Instead of paying as we went, we were taught to borrow against the future. This could be perfectly OK, because we owed nobody but ourselves. But it gave us the illusion of prosperity. *It sidestepped self-sacrifice* while increasing our national debt fivefold during these war years.

Importance of Sacrifice

We have given young Americans the notion that they can charge their present happiness against some future date of accounting. We have developed the materialistic belief that money will buy everything, including the way Europeans think! The present value of the dollar reflects this belief. Perhaps it will take defeat in Europe to bring us to the realization that freedom cannot be bought with dollars without sacrifice. We should have learned that lesson 175 years ago.

The practical cure for Communism is not material, it is spiritual. It is not the amount of dollars you pour into a situation; it is the ideals. It is not security and pensions and comforts; it is ideals and ethics and character. It is those principles that make our dollar worth something. Right now our dollar is below par; I have faith, however, that as more Americans come to realize this great truth, we will put our own house in order. Then maybe what we have to say will make more sense to Europeans. *We must practice and teach sacrifice.*

Servomechanisms Stk. Offering Completed

Van Alstyne, Noel & Co. heads a group offering $2,000,000 Servomechanisms, Inc. 5% convertible debentures due Dec. 1, 1966, at par and accrued interest. This offering was quickly oversubscribed.

Net proceeds from the sale of the debentures will be added to the general funds of the company and will be used to finance the continued growth and expansion of its business.

The debentures will be convertible at any time on or before the date of maturity into common stock of the company, at the initial conversion price of $12⅝ per share. The debentures also will be redeemable, at the option of the company, at 105%, on or prior to Dec. 1, 1955, and thereafter at prices declining to par, plus accrued interest in each case.

Servomechanisms, Inc. is engaged in the engineering, development and production of automatic electromechanical control instrumentation and equipment which fall under the broad scope of servomechanisms. The company designs and produces high performance precision electronic and electromechanical control systems, computers, and instrumentation devices for both military and industrial applications. As of Sept. 30, 1954, the company had a total backlog of $10,262,293.

For the year 1953, Servomechanisms, Inc. had net sales of $13,332,746 and net income of $305,089, equal to 40 cents per common share. In an unaudited report for the nine months ended Sept. 30, 1954, net sales were shown at $9,198,480 and net income at $400,603, equal to 53 cents per common share.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on Dec. 21 Ernest S. McKnight and Malcolm W. Robinson, formerly Assistant Cashiers, were appointed Assistant Vice-Presidents. E. Peter Corcoran and James S. Deely were appointed Assistant Cashiers.

Mr. McKnight is assigned to the Transcontinental Banking Department; Mr. Robinson to the Metropolitan Group, New York City District; Mr. Corcoran to the Southwestern District and Mr. Deely to the New York-New England District.

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Norris O. Johnson, Assistant Vice-President of **The National City Bank of New York,** has been elected President of the **American Finance Association.**

Directors elected were: Business Finance — Walter E. Hoadley, Economist, Armstrong Cork Co.; International Finance — Clay J. Anderson, Economist, Federal Reserve Bank of Philadelphia; Investments — David M. Kennedy, Vice-President, Continental Illinois Bank, Chicago; Money and Banking — Lester V. Chandler, Professor of Money and Banking, Princeton University.

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The Executive Committee of the Board of Directors of **City Bank Farmers Trust Company, New York** has appointed Paul L. Brandes an Assistant Vice-President and William H. Hassert an Assistant Trust Officer. Mr. Brandes was formerly an Assistant Trust Officer.

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William A. Lyon announces that after the completion of his term as **New York State Superintendent of Banks** at the year end he will become associated with the **Dry Dock Savings Bank of New York** as an officer. It is expected that Mr. Lyon will be elected a trustee of the Dry Dock at the January meeting of the Board and will then be named to the newly created post of Chairman of the Executive Committee. Thurman Lee, President of the Dry Dock Savings Bank, says that Mr. Lyon will participate with him and M. Kenneth Frost, Executive Vice-President, in the supervision of the policies, business and affairs of the bank. Chartered by the Legislature in 1848, the bank opened for business in and took its name from a shipyard district along the East River waterfront known as the Dry Dock. The bank has four offices in Manhattan and its head office is at 742 Lexington Avenue at 59th Street. The bank's deposits exceed $460,000,000.

Mr. Lyon has been Superintendent of Banks for the last five years and as such has been ex-officio Chairman of the Banking Board. He left the financial news staff of the New York "Herald Tribune" to join the Banking Department 12 years ago as Executive Assistant and later First Deputy Superintendent to Superintendent Elliott V. Bell. After Mr. Bell's resignation in December, 1949, Governor Dewey appointed Mr. Lyon Superintendent. During his service with the Banking Department, Mr. Lyon has been active in the affairs of the **National Association of Supervisors of State Banks.** The offices he has held in that organization include successively Secretary, President, Chairman of the Executive Committee and Chairman of the Legislative Committee.

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Members of the **Cook County Corporate Fiduciary Association** held their Xmas party and annual election on Dec. 14, 1954, at the Swedish Club of Chicago, electing the following officers to serve during the ensuing year:

President: Robert K. Linden (Asst. Trust Officer, Pioneer Trust & Savings Bank); Vice-President: Samuel L. Seltzer (Vice-President and Trust Officer, Central National Bank in Chicago); Secretary-Treasurer: Ernest J. Hewitt (Asst. Trust Officer, First National Bank & Trust Co. of Evanston).

The Fiduciary Association, now over 20 years old, is comprised of 25 outlying banks organized and legally qualified to engage in trust work, all located in or near Chicago. Edward P. Gannon, of the Pullman Trust & Savings Bank, is retiring President of the Trustmen's Association.

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The election of Frederic W. Ecker, President of the Metropolitan Life Insurance Company, and Morris Hadley, partner in the law firm of Milbank, Tweed, Hope & Hadley, as new members of the Board of directors of the **Chase National Bank of New York** will be recommended to shareholders of the bank at their annual meeting on Jan. 25, it was announced on Dec. 16 by John J. McCloy, Chairman of the bank. With the shareholders' approval Mr. Ecker will succeed Leroy A. Lincoln, chairman of the Metropolitan Life Insurance Co., who is expected to continue his association with the bank in other capacities. Mr. Hadley, a fellow of the Corporation of Yale University, a trustee of the Carnegie Corporation, and President of the New York Public Library, will succeed Jeremiah Milbank, who has advised the bank's board of his decision not to stand for re-election at the annual meeting in January. Mr. Milbank has long been active as a corporation director and in civic and welfare organizations, having served as a Chase director from 1921 to 1934 and from 1944 to the present.

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Sterling National Bank & Trust Company of New York announced on Dec. 17 that Benjamin Katz has been promoted to Assistant Vice-President of the bank. Mr. Katz has been associated with Sterling since 1930. Prior to that he was with the **Public National Bank & Trust Company.**

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The Board of Directors of the **Schroder Trust Company of New York** voted on Dec. 13, to increase the bank's capital by the declaration of a 200% stock dividend. As noted in our issue of Dec. 2, page 2261, the New York State Banking Department on Nov. 18, approved a certificate of increase of the company's capital from $1 million to $3 million. The stock is in shares of $100 each.

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A regular quarterly dividend at the rate of 2½% per annum and an additional dividend at the rate of ¼% per annum were declared on Dec. 13 by the Board of Trustees of **The Bowery Savings Bank of New York.** The dividends will be credited to depositors' accounts the last of this month for the Oct. 1-Jan. 1 dividend period. This means that the dividend for the last quarter of 1954, paid to Bowery savers, will exceed $7,900,000 —an all-time high among mutual savings banks," Earl B. Schwulst, President of The Bowery, stated. "It also means that more than $29 million in dividends will have been paid to Bowery savers in 1954, another record in the mutual savings bank field."

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Union Dime Savings Bank, New York, announced on Dec. 17 that for the quarter ending Dec. 31, 1954, the Board of Trustees has declared a year-end additional dividend at the rate of ½ of 1% per year, as well as a regular dividend at the rate of 2½% per year. J. Wilbur Lewis, President of the Bank, emphasized that the additional dividend for this quarter (Oct. 1 to Dec. 31) does not represent an increase in the regular dividend rate; nor, he added, can any predictions be made regarding the rate for 1955.

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The Royal State Bank of New York moved on Dec. 21 into its new principal quarters in the midtown Fifth Avenue area, at 245 Fifth Avenue at 28th Street, a description of which appeared in our issue of Nov. 25, page 2160. The new quarters are described as nearly three times the space previously occupied at 1134 Broadway, at 26th Street. Other offices of the bank are Bronx office 326 East 149th Street and the Belmont office, 2402 Arthur Avenue, near E. 187th Street.

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An increase of $49,350 by a stock dividend of that amount is reported by the Office of the Comptroller of the Currency in the capital of the **First Suffolk National Bank of Huntington, N. Y.** —the capital thereby having been enlarged as of Dec. 1 from $987,000 to $1,036,350.

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Approval was given by the New York State Banking Department on Dec. 10, to a certificate of increase of the capital stock of the **Bank of Westbury Trust Company of Westbury (Nassau County), N. Y.** from $225,000 consisting of 9,000 shares, par $25 per share), to $275,000 consisting of 11,000 shares of the same par value.

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Announcement of the consolidation of the **National Bank of Westchester** and **The Tarrytown National Bank and Trust Company** was made in a statement by Ralph T. Tyner, Jr., President of National Bank of Westchester as a result of special stockholders meetings of both bank held Dec. 14. This consolidation follows the consolidation of the former **Westchester Bank & Trust Company** and **The First National Bank & Trust Company of Tuckahoe** which was approved by the stockholders of both institutions on Oct. 26, and became effective at the close of business Oct. 29. The consolidation of the Tarrytown National Bank and Trust Company and National Bank of Westchester gives access to the banking field in the Hudson River section of Westchester County. The Tarrytown National Bank & Trust Company was organized in 1882 and has served its community without interruption for 72 years. The shareholders of **National Bank of Westchester, White Plains,** will be entitled to retain the presently outstanding 222,500 shares each of $10 par value of **National Bank of Westchester, White Plains,** as 222,500 shares of $10 par value of the consolidated association and each shareholder shall retain his present rights therein, and the shareholders of The Tarrytown National Bank & Trust Company will be entitled to receive 16,000 shares each of $10 par value, being eight shares for each share of $100 par value now held by them, upon surrender for cancellation of their respective certificates of stock of The Tarrytown National Bank and Trust Company. The present shareholders of National Bank of Westchester will not have to surrender their present certificates, which will remain unchanged.

The National Bank of Westchester and The Tarrytown National Bank and Trust Company will be consolidated under the Charter of National Bank of Westchester, so that the consolidated association will continue to be a national banking association under the name of "National Bank of Westchester, White Plains." The capital stock will be $2,385,000 consisting of 238,500 shares of the par value of $10 each. The surplus will be $2,967,500. Ralph T. Tyner, Jr., President of National Bank of Westchester, will be continued as the President of the consolidated bank, Oliver W. Birckhead, present Chairman of the Board of Directors will be continued in that capacity, John F. Boland, former President of The First National Bank & Trust Company of Tuckahoe, will be continued as Senior Vice-President of the consolidated bank and Edward W. Hickey, President of The Tarrytown National Bank and Trust Company, will become Vice-President of the consolidated bank; Edward P. Prezzano will be continued as Chairman of the Executive Committee. An earlier item regarding the consolidation appeared in our issue of Nov. 18, page 2048.

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A quarterly dividend of 12½ cents per share will be paid by **The County Trust Company of White Plains, N. Y.** on Jan. 15, to stockholders of record Dec. 22. At the annual meeting, to be held Jan. 19, the stockholders will vote on the merger of **The First National Bank of Ardsley** and the **Northern Westchester Bank of Katonah and Yorktown Heights** with The County Trust Company. They will vote also on the increase in capital stock to provide for these mergers and for the payment of a 5% stock dividend.

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The Central National Bank of Yonkers, N. Y., which on Oct. 26 increased its capital from $600,000 to $630,000 by a stock dividend of $30,000, has further increased its capital from $630,000 to $705,000 by the sale of $75,000 of new stock, effective Nov. 30, it was announced by the Comptroller of the Currency. The earlier increase was referred to in our issue of Nov. 11, page 1945, and Dec. 9, page 2368.

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The Fidelity-Philadelphia Trust Company of Philadelphia, a State Bank member of the Federal Reserve system, has absorbed the **Delaware County Trust Co. of Chester, Pa.,** an insured non-member, and the **Ridley Park National Bank, of Ridley Park, Pa.,** effective Dec. 6. The Board of Governors of the Reserve system reports that branches of the Philadelphia institution have been established in the former locations of the Delaware County Trust Co. and the Ridley Park National Bank.

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The Board of Directors of **The Hackley Union National Bank of Muskegon, Mich.** have increased the surplus of the bank from $1.2 million to $1.6 million by a transfer of 400,000 from the undivided profits account to the surplus account. The transfer became effective at the opening of business on Dec. 15. This action increases the bank's individual loan limit to $240,000. After the transfer is made the bank's capital structure is as follows: Capital, $800,000; Surplus, $1,600,000; Undivided Profits and Reserves for Contingencies, $850,117.

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Joseph Orlando and Lester H. Meyer have been appointed Assistant Cashiers of **First National Bank in St. Louis** by William A. McDonnell, President of the bank. Mr. Orlando has been an em-ployee of the bank since 192[illegible] working successively in the col-lection, transit, foreign, and ne[w] business departments. This yea[r] he joined the correspondent ban[k] department and was assigned t[o] the Illinois territory where he wi[ll] continue in his new official capac-ity. Mr. Meyer joined First Na-tional Bank as an office boy i[n] 1928. He successively worked i[n] the mail, transit, passbook, an[d] auditing departments and for th[e] past six years has been manage[r] of the bank's passbook depart-ment. Both Messrs. Orlando an[d] Meyer served during the war.

* * *

A 25% stock dividend, with [a] million-dollar increase in capital has been voted by directors o[f] **City National Bank & Trust Com-pany, Kansas City, Mo.** The actio[n] is subject to approval of stock-holders at a meeting Jan. 11 an[d] must also be approved by th[e] Comptroller of the Currency. B[y] increasing the capital from $4 t[o] $5 million, City National will rais[e] its loan limit to $1.1 million fo[r] any one credit line. The trans-action will be effected by trans-ferring $1 million from undivide[d] profits to capital, according to [R.] Crosby Kemper, President of Cit[y] National. The proposed stock div-idend — increasing the presen[t] 160,000 shares of $25 par valu[e] stock to 200,000 shares—will b[e] the fifth in a series of simila[r] benefits to stockholders. M[r.] Kemper pointed out that a stock-holder who subscribed for on[e] share of stock when City Nationa[l] was organized in 1913 and wh[o] later availed himself of the optio[n] to purchase three additional share[s] will own 200 shares of stock (afte[r] the proposed stock dividend) at [a] cost of $400. His 200 shares wil[l] have a book value of $13,62[3] (based on the Nov. 30 statement) and the stockholder will have re-ceived cash dividends of $1.890 including the current cash divi-dend. Cash dividends have bee[n] paid continuously by City Na-tional since Dec. 31, 1927, and to-tal $1,890,000, including the cur-rent dividend. Directors hav[e] voted the usual semi-annual cash dividend of 40 cents a share, pay-able Jan. 4 to holders of recor[d] Dec. 21. Mr. Kemper said tha[t] the annual 80 cent cash dividen[d] will be paid on the additiona[l] stock to be issued. City National's invested capital and reserves to-taled $13,623,402.48 as of Nov. 30 Book value for the present stock is $85.12 a share, and book valu[e] of the new stock will be $68.12 [a] share. Mr. Kemper noted that the $68.12 figure compares favorably with the book value of $62.60 [a] share following the last stock div-idend in 1950. City National car-ries its furniture, fixtures and safe deposit vaults at $1, Mr. Kempe[r] added, and the bank has charged its new building down from a cost of over $2 million seven years ago to a little over $900,000.

* * *

William W. Crocker, Chairman of the Board of **Crocker First National Bank of San Francisco,** has announced that at a special meet-ing held on Dec. 16 the share-holders approved the merger of the bank with **The National Bank of San Mateo.** Similar action was taken at the same time by the shareholders of The National Bank of San Mateo. The merger is ef-fective contingent upon the ap-proval of the Comptroller of the Currency. As noted in our issue of Nov. 18, page 2048, in a refer-ence to the proposed action, Mr. Crocker was indicated as saying that the name of the **National Bank of San Mateo** would be dis-continued and that that bank would become the San Mateo of-fice of the Crocker First National Bank. The deposits of the latter were reported as approximately $419 million and those of the National Bank of San Mateo as $12 million.

* * *

The First National Bank of Nevada, at Reno, Nev., has increased its capital from $3 million to $5 million, by a stock dividend of $2 million. The enlarged capital became effective Nov. 16.

* * *

The merger of the **University National Bank of Seattle, Wash.** and the **Pacific National Bank of Seattle** was announced on Dec. 18. The joint announcement was made by Harry B. Lear, Chairman of the Board of the University National Bank and Charles F. Frankland, President of the Pacific National Bank. The move was agreed upon by the boards of directors of both banks through an exchange of stock of these two institutions into the Pacific National Bank of Seattle. Details of the merger were not announced and will be subject to final approval by vote of the stockholders of both banking institutions and the office of the Comptroller of the Currency in Washington. Mr. Lear will become Chairman of the Board of Directors of the Pacific National Bank of Seattle, continuing his 50 years of an active banking career, most of which has been devoted to the upbuilding of the **University National Bank,** which will now be identified as the **University Branch** of the **Pacific National Bank** of Seattle. A. W. Hogue, President of the University National Bank, will become an executive officer in the combined institutions and all other officers and staff personnel will remain as presently existing. Combined deposits of the enlarged bank will approximate $130 million and capital funds will be in excess of $11 million. Both banks have been operated as independent institutions, with the exception of a recently acquired branch of the **Pacific National Bank in Bellevue.**

Allan Sproul Favors Widening Federal Reserve Open Market Operations

President of the Federal Reserve Bank of New York argues that Federal Reserve System's interest in market for Government securities is inevitable, and he protests against withdrawal of active support of the long-term bond market since early in 1951.

Allan Sproul

At the final hearings before the Sub-Committee on Economic Stabilization of the Joint Committee on the Economic Report, held in Washington on Dec. 7, President Allan Sproul of the Federal Reserve Bank of New York, as Vice-Chairman of the Federal Open Market Committee, strongly urged that Open Market operations of the Federal Reserve Board be extended to the purchase and sale of long-term as well as short-term government securities, as had been the case before the Federal Reserve-Treasury Accord in 1951.

Mr. Sproul's remarks as contained in the transcript of the hearings follow:

I share with Chairman Martin the pleasure in having my associates here, having undergone, as he has, at times, the dubious privilege of being here alone without the support of these associates.

I am going to speak of something which I am sure is not the major concern of your hearing, just as it is not the major concern of the Federal Open Market Committee, but nevertheless it is something which I do not think was covered, from my point of view, in the answers submitted to you by the Chairman of the Board of Governors and, therefore, if I may take your time, I would like to refer to it. It is, perhaps, what might be called the negative, in answer to your question No. 3.

Your subcommittee addressed five questions to the Chairman of the Board of Governors, and his answers have been made available to other participants in these hearings, as well as to the public.

With respect to the answers to questions 1, 2, 4, and 5, I am in general and substantial agreement, even though there might be some shades of difference of opinion or degrees of emphasis in answers to the same questions which I might prepare.

This suggests the first point I would like to make: So far as general credit policy is concerned, there has been a high degree of unanimity within the Federal Reserve System throughout the period covered by your inquiry, that it, since March, 1951.

Our differences, or my differences with other members of the Federal Open Market Committee, have related to the techniques of open market operations, not to general credit policies.

It is to these questions of techniques that your question No. 3 is directed. Here again I can express a good deal of agreement with much that is included in the answer of the Chairman. It is a persuasive and stimulating discussion of the issues involved. Yet there is also a good deal with which I disagree, and my conclusions as to the most effective use of open market operations, to implement credit policy and to promote economic growth and stability, diverge quite sharply from those set forth in the answer of the Chairman.

His answer is, of course, responsive to the question of the subcommittee, which asked for affirmative support to the actions of the Federal Open Market Committee to which it refers, not for the arguments for and against such actions.

Obviously, there is not time here for a full-dress presentation of the negative side of the question. I should like to make certain points which, I think, are significant to an understanding of the problem, however, and I should be glad to submit to the committee later, if it so desires, a written statement of views which might match the answer of the Chairman in completeness and I would hope, in persuasiveness.

First, as a matter of background, I think I should say that I am not for pegging government security prices nor for trying continuously to determine the structure of interest rates by means of open market operations. As one of the principals in the fight to free the Federal Reserve System from the pegging of prices of government securities, throughout a difficult period of controversy on this point, beginning in 1946, I think I have the right to make this clear. And, as one who has a great deal of respect for the operations of the market place, I would not want to be classed with those who believe that a continuously better result can be obtained, so far as the structure of interest rates is concerned, by completely substituting the judgment of the Federal Open Market Committee for the market place. If we want to find out how the patient is doing, there must be some place where we can take the patient's pulse.

Now, taking up the real issues in this minor problem. The least controversial issue was dropping from the directive of the Federal Open Market Committee the clause authorizing open-market operations to maintain orderly conditions in the market for Government securities, and substituting for it a clause authorizing operations to correct disorderly situations in the market. I voted in favor of this change, and thought it desirable, not just as a question of semantics. But I would stress the avoidance of disorderly situations rather than their correction after they have happened.

One of the virtues of credit control is supposed to be its ability to take prompt action to head off financial disturbances which might otherwise have harmful repercussions throughout the economy. If open-market operations in longer term government securities can be used to this end, I would use them rather than wait until a disorderly situation or a crisis has developed, and only then depart from operations solely in Treasury bills.

The most controversial issue was the instruction by the Federal Open Market Committee that open-market operations must be confined to the short end of the government securities market, except in correcting disorderly situations which, in practice, has come to mean confining operations to Treasury bills. I did not get the impression that the action was merely an assertion of the power of the Federal Open Market Committee to determine whether and when the System Open Market Account should engage in transactions outside of the short end of the market. There need not be any question of the power of the full committee to determine the conditions and the general timing of operations in the longer term areas of the market.

I was concerned with the strong emphasis which I thought was given to permanence of the "bills only" doctrine. Suggestions for publishing a set of rules of the game, references to a constitution for open-market operations, and the repeated argument that government security dealers could not create a broad, continuous market if we did not forego operations in long-term securities—except to correct disorderly conditions—gave me the disturbing impression that we were in danger of placing ourselves in a straitjacket which would not permit us to accomplish what the Congress and the public might expect us to accomplish in terms of monetary management.

I, therefore, welcomed the statement in the answer of the Chairman to your question No. 3 that the door is being kept open to a change in the present basic technique of open-market operations, and the recognition in his answer that the present approach to open-market operations is still experimental and that insufficient time has elapsed to draw firm conclusions as to its performance. The publication of these views should help to dispel the idea that present techniques have been adopted for all time, and should help to avoid further hardening of the dangerous opinion that any future operations by the System in the long-term market will be the signal of a critical situation.

I also welcome the repeated references in the answer of the Chairman, to the concern of credit policy with developments in the long-term sector of the market and the assertion of the particular concern of the Federal Open Market Committee that its policies be reflected in the cost and availability of credit in the long-term markets. It has been, and still is, my contention that this concern can find its best expression, at times, in open market operations specifically directed at these longer term markets.

This is, perhaps, the variant approach to open-market operations briefly commented upon, and summarily dismissed, beginning on page 20 of the answers of the Chairman to your question No. 3. As set forth there, it is described as a method of operation in which —"the Federal Open Market Committee would normally permit the interplay of market forces to register on prices and rates in all of the various security sectors of the market, but would stand ready to intervene with direct purchases, sales, or swaps in any sector where market developments took a trend that the committee considered was adverse to high-level economic stability."

That seems to me to be an eminently reasonable approach to our problem, but it has never really been tried—not even in the period 1951-53 to which the Chairman refers. And now it has been dismissed on what I believe is the shaky assumption that it "did not appear to offer real promise of removing obstacles to improvement in the technical behavior of the market."

This probably brings us down to the nub of the differences. The Chairman's answer to your question No. 3 embraces the view, with which I agree, that the "depth, breadth, and resiliency" of the government securities market, or its "continuity and responsiveness," should be furthered by all means that are consistent with a credit policy of maximum effectiveness, and that, in general, the greater the "depth, breadth, and resiliency" of the market, the greater will be the scope and opportunity for effective credit control through open market operations. But the proof of that pudding must be found in the actual market, not in a theoretical discussion of a supposedly ideal market.

The answer of the Chairman asserts that the market has become increasingly stronger, broader, and more resilient since the Committee adopted the "bills only" technique. It suggests most persuasively why, theoretically, this should be so. But it does not prove that it has actually happened. In fact, I wonder whether we are talking about the same market, and what are the definitions of "strength" and "breadth" that are being used. It is my information and observation that the market for longer term securities has remained at least as "thin," under existing open market procedures, as it was before these procedures were adopted.

I think it has lost depth, breadth, and resiliency, whether you view it in terms of dealer willingness to take position risks, volume of trading, or erratic price movements. We must not be misled by the claims of one or two dealers who urge the present techniques and now proclaim that they are helping to create a broader market for government securities.

I do not think we have helped to create such a market. And, therefore, I do not see how the responsiveness of cost and availability of credit in all sectors of the market since June, 1953, can have been the result of a progressive strengthening of the government security market growing out of the actions of the Open Market Committee with respect to the open market techniques. Much of the success of the System's actions during this period has derived from the promptness of adaptation of overall credit policy to changes in the economic situation, and to a high degree of coordination of Federal fiscal policy and debt management with credit policy. For the rest, it has sometimes taken massive releases of reserves, under the techniques adopted or in support of those techniques, to accomplish what might have been accomplished more economically with the help of limited direct entry into the long-term market.

I am hopeful, therefore, that the present period of experimentation will not be too long extended, and that we shall soon have an opportunity to experiment with the middle way—the variant approach —which I mentioned earlier.

One final comment should be made, perhaps, in connection with your question 3 on the discontinuance by the Federal Open Market Committee of direct supporting operations in the government's security market during periods of Treasury financing.

I would agree that the system open market account should not, as a matter of routine, provide such direct support, but I would also say that we cannot, as a matter of routine, turn our back on such support.

The emphasis in the present approach to Treasury financing is good. The Treasury should meet the test of the market, in relation to other credit needs of the economy, to the fullest possible extent. But too rigid application of this doctrine is questionable as a matter of market procedure and Treasury-Federal Reserve relationships. In periods of credit ease, when policy considerations point to the need of keeping Treasury demands from draining credit away from desirable private use, reliance on bill purchases alone may lead to unwanted consequences. The flooding of funds into the bill market, in order to assure adequate credit in the areas tapped by the Treasury, may produce an undue enlargement of bank reserves, or an extreme distortion in Treasury bill prices and yields, or both.

There will also be times, particularly in periods of credit restraint, as distinguished from the recent period of overall credit ease, when rigid application of the present rule may result in serious collisions of debt management and credit policy, which might have been avoided without jeopardizing the overall public interest.

Now, let me repeat, what I have been discussing are disagreements over techniques of open market operations, not over general credit policy. It is good to have these differences opened up, and I hope that this hearing will result in more discussions of the problems involved by an informed public. We in the Federal Reserve System cannot consider ourselves to be the sole repositories of knowledge in these matters. What I have been most afraid of is that we might come to think that we can indulge in the luxury of a fixed idea. There is no such easy escape from specific and empirical decisions in central banking. We cannot have a general formula, a kind of economic law, which will serve the ends of credit policy under all sorts of economic conditions.

A. G. Edwards To Admit

ST. LOUIS, Mo.—A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges, will admit Malcolm W. Martin to limited partnership, Jan. 1.

New Gartman, Rose Partner

On Jan. 1 Arthur A. Burkhart wil become a partner in Gartman, Rose & Co., 1 Wall Street, New York City, members of the New York Stock Exchange.

A. C. Chaplain Co. Opens

A. C. Chaplain & Co., Inc. has been formed with offices at 82 Beaver Street, New York City to engage in a securities business.

Continued from first page

Bank Investments And Financial Structures

boom characteristic of the years since 1939.

Although these general trends are well known, it may be of interest to study quantitatively the extent of these changes, particularly since the relative movements are obscured by the absolute growth that took place during the period. Hence, the data have been recast into percentages for four selected years: 1929, the end of the post-World War I prosperity; 1939, the last year before the Second World War; the end of 1945, when the influence of war financing would be most evident; and 1953-54, the most recent complete year. These seemed the logical end-points for the great depression, the war, and the current postwar period.[1]

Although perfect consistency cannot be claimed for the data over so long a period, it is believed that the trends on which the conclusions are based are sufficiently broad, even without the necessary refinements to achieve that ideal. The main breaks occur in the member bank deposit figures before 1939.[2] Other changes, also believed to be small in influence, arose from shifts in the classification of member banks,[3] e.g., from reserve to country bank status.[4] (See table I).

TABLE I

Required Reserve Ratios

	Demand Deposits: Central Reserve City Banks	Demand Deposits: Reserve City Banks	Demand Deposits: Country Banks	Time Deposits
1929	13%	10%	7%	3%
1939	22¾	17½	12	5
1945	20	20	14	6
1953-54	a24	a20	a14	a6
	b22	b19	c13	d5
	e21			

a As of June 30, 1953. b July 9, 1953. c July 1, 1953. d June 16, 1954 for country banks; June 24, 1954 for other member banks; e June 24, 1954.

SOURCE: "Federal Reserve Bulletin," September, 1954, p. 953.

TABLE II

Selected Assets and Liabilities of All Member Banks
(as a percentage of all assets and liabilities)

Assets—	1929	1939	End of '45	1953-54
Reserves with Federal Reserve Banks	5.0	20.0	11.4	12.0
Loans	55.2	25.4	16.5	35.6
aInvestments—U. S. Govt. Obligations	8.8	26.2	56.6	32.4
Other	12.6	10.8	4.4	7.7
Liabilities—				
bInterbank Deposits	8.3	16.1	9.9	8.9
U. S. Govt. Deposits (demand & time)	0.7	1.4	16.1	3.0
Other Demand Deposits	41.9	49.3	50.4	57.5
cOther Time Deposits	27.9	21.8	17.4	22.0

a Includes obligations guaranteed by the U. S. Government.

b Time and demand deposits. Includes liabilities to foreign banks.

c Excludes Postal Savings.

SOURCE: Member Bank Call Reports, and, for some 1929 and 1939 data, the Federal Reserve System, "Banking and Monetary Statistics" (Washington 1943), Table 18.

TABLE III

Selected Assets and Liabilities of Member Banks, by Classes
(as a percentage of the country total)

	1929	1939	End of '45	1953-54
Loans:				
New York City	24.6	23.4	32.4	21.2
Chicago	6.3	4.7	6.6	5.5
San Francisco	3.8	7.8	6.2	9.3
Nine Other Fed. Res. Bank Cities	12.6	11.7	13.0	10.8
Other Reserve Cities	17.6	17.9	17.3	18.0
Country	35.2	34.5	24.6	35.0
***U. S. Government Securities:**				
New York City	25.3	32.4	22.6	15.3
Chicago	4.1	8.9	6.5	7.1
San Francisco	6.7	5.4	6.2	5.3
Nine Other Fed. Res. Bank Cities	9.6	10.4	9.9	8.0
Other Reserve Cities	20.9	20.1	20.4	22.0
Country	33.0	22.3	34.5	42.4
Other Securities:				
New York City	14.9	22.7	20.5	17.9
Chicago	4.0	6.3	7.2	6.0
San Francisco	2.5	4.7	7.6	9.0
Nine Other Fed. Res. Bank Cities	9.5	9.7	7.9	9.0
Other Reserve Cities	14.2	15.3	17.2	17.2
Country	54.9	41.3	39.7	40.6
All Assets and Liabilities:				
New York City	27.3	29.6	23.9	19.1
Chicago	5.3	7.0	6.4	6.3
San Francisco	3.7	5.1	6.1	7.0
Nine Other Fed. Res. Bank Cities	11.7	11.5	10.5	9.9
Other Reserve Cities	16.9	18.3	19.8	20.2
Country	34.8	28.6	33.3	37.6
†Individual Demand Deposits:				
New York City	31.0	36.9	25.1	20.7
Chicago	6.6	7.2	6.1	6.2
San Francisco	2.6	3.4	5.5	5.2
Nine Other Fed. Res. Bank Cities	12.8	11.9	9.9	10.3
Other Reserve Cities	16.3	16.6	18.8	20.3
Country	30.8	24.0	34.6	37.0
‡Time Deposits:				
New York City	10.0	6.3	5.4	8.4
Chicago	4.4	5.2	5.0	5.3
San Francisco	6.0	10.7	11.5	13.3
Nine Other Fed. Res. Bank Cities	9.9	7.5	6.1	5.7
Other Reserve Cities	19.0	20.5	20.5	18.0
Country	50.8	49.7	51.5	48.7
‡Due to Other Banks:				
New York City	39.2	45.0	34.2	36.0
Chicago	9.0	9.9	9.7	9.2
San Francisco	3.4	2.4	2.9	3.7
Nine Other Fed. Res. Bank Cities	17.0	16.9	18.8	18.3
Other Reserve Cities	21.1	19.7	25.6	24.2
Country	10.4	3.1	9.0	8.4

* Includes obligations guaranteed by the U. S. Government.

† The only comparable figures for 1929 were from the March 27th call date.

‡ Time deposits due to other banks were included in "time deposits" and "due to other banks."

SOURCE: Member Bank Call Reports

I

The asset position of the member banks, in particular, now resembles more markedly the distribution in 1939, the wartime shift from commercial loans and other investments into government bonds having been reversed sufficiently in the postwar years to restore the prewar ratios. By 1953-54 government bonds and commercial loans were about equal in importance, as had been true in 1939; both, however, had become more important than in the earlier year, each having increased from approximately one-fourth of all assets in 1939 to one-third in 1953-54. This not only reflected growth, but also better utilization of reserves, excess reserves having dropped to almost negligible proportions. Although the absolute value of loans was almost four times as large in 1953-54 as in 1939, and twice that in 1929, they still represented a smaller share of assets than they had been in 1929. The largest relative decline was in "other investments," which, though more important in 1953-54 than at the end of the war, were still well below the percentage for either 1929 or 1939. (See table II.)

The deposit liabilities showed varying trends. "Other demand deposits"[5] increased in importance over the period, although the growth was least pronounced during the war, when much of the additional spending requirements had been satisfied by currency.[6] Time deposits, which had been dropping in importance through 1945, have since increased, particularly in New York City, Chicago, and San Francisco.[7]

II

Since 1939 the New York City member banks have been losing ground. Other than for time deposits, their share of the country total for the other six selected balance sheet items[8] was less in 1953-54 than in 1939. On the other hand, the San Francisco banks have shown a marked upward trend since 1929, and now have aggregate assets in excess of every city other than New York—even more than Chicago, the other central reserve city (see table III). Other than for their share of total member bank holdings of government securities, their proportion of the other six selected balance sheet items was larger in 1953-54 than in 1929 and 1939, and, except for government securities and demand deposits, larger than at the end of 1945. (Some inferences about this opposite behavior of government bonds are discussed below, in section IV.) On the other hand, the other nine Federal Reserve Bank cities[9] — other than New York City, Chicago, and San Francisco — have been losing ground relatively since 1929, though the decline has not been as marked as the trends for New York and San Francico. Thus, whereas New York's share of total assets dropped a third from 1939 to 1953-54, and San Francisco's share almost doubled since 1929, the share of these other nine dropped less than a fifth, from 11.7% to 9.9% from 1929 to 1953-54. For these nine, each of the three selected assets—loans, government securities, and other securities—was a smaller share of the country total in 1953-54 than in any of the other three selected years (1929, 1939, and, except for other securities, 1945).

The country banks, to a great extent reflecting the fortunes of the agricultural regions, showed a drop from 1929 to 1939, and then a recovery to 1953-54. In the latter year their share of total assets exceeded that for any of the other three years. The most significant shifts here were a marked increase in their share of member bank holdings of government bonds—increasing from 33% in 1929 to more than 42% in 1953-54—and a marked decrease in other securities—from 54.9% in 1929 to 40.6% in 1953-54 — while their share of total member bank assets rose from 34.8% to 37.6%.

III

If we examine the proportion that each selected balance sheet item bears to total assets and liabilities of the group, again we can note significant geographical shifts. Loans in New York City and San Francisco held up relatively well with the absolute growth in banking assets of the two cities; as compared with the other four banking classes[10] the decline of this item as a proportion of total assets was least. Chicago, in contrast, showed a sharp decline; by 1953-54 loans repre-

TABLE IV

Selected Assets and Liabilities of Member Banks, by Classes
(as a percentage of the total assets of that class)

	1929	1939	End of '45	1953-54
Loans:				
New York City	49.1	20.1	22.3	39.9
Chicago	60.9	17.0	16.9	31.4
San Francisco	55.1	39.1	16.9	46.6
Nine Other Fed. Res. Bank Cities	58.7	25.8	20.4	39.1
Other Reserve Cities	56.6	24.8	14.4	31.8
Country	55.3	30.7	12.2	33.2
All Member Banks	54.9	25.4	16.5	36.6
***U. S. Government Securities:**				
New York City	8.3	28.6	53.5	26.0
Chicago	6.3	33.5	57.1	36.3
San Francisco	15.7	27.9	57.7	24.9
Nine Other Fed. Res. Bank Cities	7.2	23.7	53.5	26.1
Other Reserve Cities	10.8	28.8	58.3	35.1
Country	8.3	20.8	58.6	36.8
All Member Banks	8.8	26.2	56.7	32.3
Other Securities:				
New York City	6.8	8.3	3.8	7.2
Chicago	8.9	9.8	4.9	7.3
San Francisco	8.4	10.0	5.5	9.8
Nine Other Fed. Res. Bank Cities	10.2	9.1	3.3	7.1
Other Reserve Cities	10.5	9.1	3.8	5.6
Country	19.7	15.6	5.2	8.5
All Member Banks	12.6	10.8	4.4	7.7
†Individual Demand Deposits:				
New York City	38.8	54.3	47.8	55.6
Chicago	39.9	45.1	43.1	51.0
San Francisco	25.0	29.0	41.1	37.1
Nine Other Fed. Res. Bank Cities	37.1	44.9	42.8	53.4
Other Reserve Cities	32.6	39.5	43.3	52.2
Country	29.7	36.4	47.3	50.7
All Member Banks	33.9	43.5	45.5	51.1
‡Time Deposits:				
New York City	10.3	4.8	3.9	10.2
Chicago	22.0	16.5	13.7	20.9
San Francisco	45.7	47.0	33.0	42.6
Nine Other Fed. Res. Bank Cities	23.7	14.5	10.3	13.3
Other Reserve Cities	31.6	25.0	18.2	20.2
Country	41.2	38.6	27.2	29.9
All Member Banks	28.2	22.2	17.6	22.9
‡Due to Other Banks:				
New York City	11.3	24.5	14.1	16.8
Chicago	12.6	22.8	14.9	13.0
San Francisco	7.1	7.6	4.7	4.6
Nine Other Fed. Res. Bank Cities	11.4	23.6	17.7	16.5
Other Reserve Cities	9.8	17.4	12.7	10.6
Country	2.3	3.4	2.7	2.0
All Member Banks	7.8	16.1	9.9	8.9

* Includes obligations guaranteed by the U. S. Government.

† The only comparable figures for 1929 were from the March 27th call date.

‡ Time deposits due to other banks were included in "time deposits" and "due to other banks."

SOURCE: Member Bank Call Reports

TABLE V

Distribution of Selected Member Bank Balance Sheet Items, By Federal Reserve Districts
(as per cent of country total)

	Loans 1929	Loans 1939	Loans End of 1945	Loans 1953-1954	a U. S. Government Obligations 1929	a U. S. Government Obligations 1939	a U. S. Government Obligations End of 1945	a U. S. Government Obligations 1953-1954
Boston	7.3	7.1	5.1	4.9	6.3	4.9	5.3	4.3
New York	33.8	30.9	37.5	28.6	31.8	38.7	29.8	22.6
Philadelphia	7.2	6.9	4.1	5.3	5.2	5.6	5.6	5.1
Cleveland	9.3	8.1	6.8	7.6	10.4	8.7	8.0	9.3
Richmond	3.9	4.4	3.9	4.2	3.3	3.9	4.5	4.8
Atlanta	3.5	4.2	4.4	4.2	3.0	2.4	4.2	5.1
Chicago	14.8	10.6	12.1	13.3	11.7	16.3	15.5	19.5
St. Louis	3.7	3.9	3.9	3.7	3.3	2.9	3.5	3.8
Minneapolis	2.2	2.4	2.0	2.5	3.5	2.2	2.8	2.8
Kansas City	3.1	3.8	3.4	4.0	4.8	2.7	4.2	5.0
Dallas	2.8	3.6	5.0	5.4	3.9	2.0	3.5	4.5
San Francisco	8.4	14.2	11.7	15.9	12.9	9.9	13.3	12.8
	Reserves With Federal Reserve				**All Assets And Liabilities**			
Boston	6.1	4.8	4.5	4.2	6.9	5.8	5.0	4.6
New York	40.1	54.0	30.5	30.0	35.4	36.1	30.3	26.2
Philadelphia	5.8	4.8	5.0	4.8	7.1	6.7	5.3	5.3
Cleveland	8.0	5.6	7.2	7.7	9.1	8.0	7.7	8.2
Richmond	2.9	2.4	4.6	4.2	3.6	3.9	4.5	4.5
Atlanta	2.8	1.9	4.8	4.5	3.3	3.5	4.7	4.9
Chicago	14.5	13.2	14.6	16.1	13.7	13.6	14.7	16.0
St. Louis	3.3	2.3	3.8	3.7	3.6	3.4	3.7	3.8
Minneapolis	2.3	1.3	2.4	2.4	2.5	2.3	2.6	2.6
Kansas City	3.9	2.3	4.9	4.7	3.6	3.7	4.5	4.8
Dallas	2.8	1.9	4.8	5.2	2.8	3.1	4.3	5.4
San Francisco	7.5	5.4	12.8	12.7	8.5	9.8	12.7	13.8

a Includes obligations guaranteed by the U. S. Government.

SOURCE: Member Bank Call Reports.

›nted only half the proportion of ›ssets t at they had been in 1929. ›ince 1939, however, although for ›l member banks loans rose from › quarter of all assets to more ›han a third in 1953-54, country ›anks showed only a very small ›ncrease in the proportion of as›ets in loans, whereas the propor›on for New York and Chicago ›lmost doubled, both having been ›he lowest of the six groups in ›he earlier year.

The country banks, whose hold›ngs of government bonds as a ›ercent of their assets were less › 1939 than any of the other ›roups, were the highest in 1953-›4, having risen from 20.8% to ›6.8%, compared with a national ›verage of 26.2% and 32.3%, ›espectively. In part this may have ›een because of the relative de›rease in their time deposits, thus ›nducing a shift to a more liquid ›nvestment, but in part, too, this ›night indicate a growing sophisti›ation of their portfolio policy.

Another noticeable trend was ›he growth in checking accounts ›s a proportion of liabilities, in ›he member banks outside the ›arger cities. For member banks ›s a whole demand deposits went ›rom a third of all liabilities in ›929 to almost 45% in 1939, and ›o slightly more than half in 1953-›4. The banks in the other reserve ›ities—other than the 12 Federal ›eserve Bank cities — and the ›ountry banks, which had a de›mand deposit-to-liability ratio be›ow the national average in both ›929 and 1939 were within 1% ›f the average by 1953-54. Only ›he San Francisco banks persisted ›n remaining significantly below ›he national average. It might be ›oted that although capital ac›counts represented a declining ›roportion of liabilities during the period, the decreases were fairly uniform among the groups, so that the relative changes of the other liability accounts would not have been greatly affected.

IV

As measured by total assets, member banks in the Boston, New York, and Philadelphia Federal Reserve Districts lost relatively, while those in the Richmond, Atlanta, Chicago, Kansas City, Dallas, and San Francisco Districts gained, from 1939 to 1953-54 (see table V). This agreed with the movement of incomes and business activity, which showed a lag behind the national average in the first three districts, while the gains in the other six had exceeded the national average (see table VI). Other than for Cleveland, the movement in direction from 1939 to the end of 1945 continued through 1953-54; for example, the New York District member banks' share of all member bank assets dropped from 36.1% in 1939 to 30.3% by the end of 1945 and then declined further to 26.2% in 1953-54.

As compared with 1929, Boston, New York, Philadelphia and Cleveland member banks had a smaller proportion of all assets in 1953-54, St. Louis and Minneapolis were stable, while the other six districts' member banks had gained, the Dallas District leading. This reflected the general movements of income, Boston, New York and Philadelphia lagging behind the country average, Dallas showing the largest increase, and the other gainers in assets also showing a better-than-national-average increase in incomes.

The distribution of loans among member banks differed somewhat in its movements compared with the trend of total assets. The New York District member banks' share of all assets, for example, dropped from 36.1% in 1939 to 26.2% in 1953-54; their share of loans, however, dropped much less, from 30.9% to 28.6%, and, contrary to the relative decline in assets during the war, their share of loans by the end of 1945 had risen to 37.5%, the most pronounced wartime gain of any district. This better performance may be attributable to the location of so many head offices in the New York City area; the initial loan would be obtained from a convenient bank in the region, but the subsequent disbursement of the proceeds would then go to swell assets in other parts of the country.[11] It might also be noted that the San Francisco banks' share of total loans declined, although their share of assets grew during the war. As compared with 1929 or 1939 the Boston, New York, and Philadelphia Districts had a smaller share of loans and assets in 1953-54, while only the Kansas City, Dallas, and San Francisco Districts showed sizeable increases over the same period in both their share of loans and of assets. The contrary movement of loans and assets for the other districts would be, presumably, the obverse of what had occurred in the New York District. (Within each district the country banks' share of the district member banks' assets declined from 1929 to 1939, with the agricultural depression, and gained in the war and postwar years with the return of prosperity.)

The New York and Chicago Districts in 1939 showed a much larger proportion of assets in government bonds than in loans, indicative of the concentration of financing in those two money markets (cf. table VII). By 1953-54, however, the New York banks had a much larger share of assets in loans, whereas the Chicago banks continued to have a preponderance of their assets in government bonds. This may indicate that the larger firms were still looking primarily to New York for their major financing. In 1953-54 the only other districts to have a marked excess of loans over government bonds were Dallas and San Francisco, the two areas which had boomed tremendously since 1939, and thus had a greater need for loans locally.

If we interpret loans, and, to a lesser extent, other investments, as a guide to how well the member banks were serving their district, then the New York and San Francisco Districts had the better record. From 1939 to 1953-54 only New York showed a drop in the proportion of assets in government bonds and other investments, thus allowing for a proportionate increase in loans greater than that of any other district. In contrast, Richmond, Atlanta, St. Louis, Kansas City, and Dallas all showed small rises in loans, relatively, since 1939, and large rises in the proportion in government bonds and other investments. As compared with 1929, loans by the New York and San Francisco banks held up the best (by 1953-54), while the poorest showing was by the Richmond, Atlanta, and Chicago banks. However, this judgment cannot be interpreted too strictly; as already mentioned, the location of many head offices in New York would go to swell that area's loan figures, and, of course, reduce those of the other areas where the funds were ultimately spent. Moreover, the high Chicago figure for the greater proportion of assets in government bonds was, in part, a holdover from the thirties, when there had been a much larger than average rise in this asset. (For banks in the city of Chicago, government bonds rose from 6.3% of all assets in 1929 to 33.5% in 1939, whereas for the entire country the rise was from 8.8% to 26.2%.)

V

In general it can be said that the geographical shifts in banking assets and liabilities reflected the varying prosperity of the different regions. The relative decline of the country banks in the thirties, and their subsequent improvement in the war and postwar years reflected the changing fortunes of agriculture. The shift from the Northeast to the Far West and Southwest accompanied the greater relative growth in incomes of Texas and the Pacific Coast. Only where financial strength was itself an influential element was it possible to go counter to the income trend, as evidenced by the wartime increase in the New York member banks' loans, despite their relative decline as measured by total assets.

As for the bank statement itself, despite the tremendous absolute growth, the proportions in 1953-54 resembled 1939 more than 1945; most of the distortions resulting from the impact of World War II had been eliminated in the boom that followed. Once again the strictly commercial aspects of banking, dwarfed for more than a decade by the government's fiscal policy, were coming back into prominence as a banking influence.

TABLE VI

Regional Changes in Incomes and Business Activity, By Federal Reserve Districts

(per cent change for selected periods)

District—	1929 to 1939 (increase or decrease)	1929 to end of 1945	1929 to 1953-54	1939 to end of 1945	1939 to 1953-54	End of 1945 to 1953-54
		(increase in per cent)				
Boston	—16	56	167	86	221	76
New York	—22	42	168	81	230	83
Philadelphia	—20	52	168	84	236	83
Cleveland	—16	76	224	97	283	95
Richmond	+ 5	141	337	121	316	89
Atlanta	— 3	152	347	138	369	94
Chicago	—18	72	284	99	363	133
St. Louis	—18	75	211	108	276	81
Minneapolis	—19	79	208	110	280	81
Kansas City	—19	83	246	120	327	94
Dallas	— 4	140	383	141	405	110
San Francisco	— 4	148	312	141	322	79
United States	—15	90	230	105	285	88

SOURCE: 1939, end of 1945, and 1953-54 from "Business Week." 1929 interpolated from "Survey of Current Business" state income data, August 1953, p. 12, table 4.

TABLE VII

Selected Assets of Member Banks, by Federal Reserve Districts

(as a percentage of the total assets of each district)

	U. S. Government Obligations*				Other Investments			
	1929	1939	End of 1945	1953-1954	1929	1939	End of 1945	1953-1954
Boston	8.0	21.9	60.2	30.7	14.4	14.5	2.6	7.5
New York	7.9	23.0	55.7	28.0	10.9	9.7	4.0	7.9
Philadelphia	6.5	21.5	59.3	31.4	19.8	17.6	6.9	10.1
Cleveland	10.2	28.2	58.8	36.8	15.6	12.9	5.5	8.1
Richmond	8.1	26.2	57.3	34.6	10.9	7.7	2.9	6.2
Atlanta	8.0	18.2	51.0	34.2	9.6	11.0	5.3	7.6
Chicago	7.6	31.3	59.7	39.6	11.8	11.2	5.0	7.9
St. Louis	8.1	22.2	52.7	32.4	15.8	11.6	5.0	6.9
Minneapolis	12.2	25.2	59.8	34.2	18.6	11.6	3.5	7.4
Kansas City	11.9	18.5	52.6	34.2	13.6	11.4	4.1	7.6
Dallas	12.3	17.0	45.0	26.9	6.4	8.6	2.7	5.2
San Francisco	13.4	26.4	59.4	30.0	11.5	9.9	4.5	8.1
All Member Banks	8.8	26.2	56.6	32.4	12.7	10.8	4.4	7.7
	Loans				Reserves with Federal Reserve			
Boston	58.4	30.9	16.9	38.4	4.5	16.6	10.3	11.2
New York	52.7	21.7	20.4	39.1	5.5	30.0	11.5	14.0
Philadelphia	56.0	26.0	12.7	36.2	4.1	14.4	10.8	11.0
Cleveland	56.5	25.5	14.5	33.0	4.4	13.9	10.7	11.4
Richmond	60.2	28.9	14.3	33.3	4.1	12.5	11.6	11.3
Atlanta	58.2	30.4	15.6	30.8	4.2	11.0	11.7	11.1
Chicago	59.8	19.8	13.6	29.8	5.4	19.4	11.4	12.3
St. Louis	56.5	29.3	17.3	34.6	4.6	13.6	11.5	11.9
Minneapolis	48.6	27.2	12.5	34.4	4.3	11.7	10.5	10.9
Kansas City	48.4	25.8	12.6	29.6	5.4	12.5	12.5	12.0
Dallas	55.3	28.9	19.0	34.4	5.0	11.9	12.6	11.6
San Francisco	54.3	36.6	15.1	41.1	4.4	11.0	11.5	12.9
All Member Banks	55.2	25.4	16.5	35.6	5.0	20.0	11.4	12.2

*Includes obligations guaranteed by the U. S. Government.

SOURCE: Member Bank Call Reports.

1 Member bank data, unless otherwise noted, were the average of the four call reports for those years. By averaging the statements, the influence of seasonal variation and "window dressing" was thus lessened. Statistics for the end of 1945, of course, were from the last call report for the year. For 1953-54 the four call reports used were Sept. 30, 1953, Dec. 31, 1953, April 15, 1954, and June 30, 1954.

2 Cf. the Federal Reserve System, *Banking and Monetary Statistics* (Washington 1943), p. 70.

3 *Ibid.*, p. 63.

4 The changes in the member banks' reserve requirements during the period under study probably tended to reduce the relative importance of other assets as a proportion of the banks' total assets, since the required ratio in each selected year equalled or exceeded that of the earlier year(s). (The only exception was the required ratio for central reserve city banks' demand deposits, which was lower at the end of 1945 than in 1939: cf. table I. However, from 1939 to 1945 to 1953-54 the changes were not too large—one or two percentage points—thus minimizing their influence. Cf. tables I and VII.

5 Demand deposits other than U. S. Government and interbank.

6 The wartime shifts in population, the growth of new communities lacking adequate banking facilities, and the operations of the black market all tended to increase the demand for currency. Cf. the Federal Reserve Bank of New York *Monthly Review*, November 1951, p. 165.

7 Government deposits in 1953-54, although more important than before the war, when a greater proportion had been held with the Federal Reserve Banks, accounted for a smaller per cent of member bank liabilities in 1953-54 than at the end of 1945, partly because of a slight decline during the postwar years in the proportion held at the member banks, partly because of an over-all decline in absolute size immediately after the war as a result of the debt-retirement program, and partly because of the generally lower balance carried as the debt limitation prevented recourse to the money markets. Cf. the Board of Governors of the Federal Reserve System, *33rd Annual Report* (Washington 1947), p. 2, and the Federal Reserve Bank of New York, *The Treasury and the Money Market* (New York 1954), especially pp. 3-8.

8 Loans, government bonds (including guaranteed issues), other investments, demand deposits, due to other banks, and all assets and liabilities. Demand deposits due to other banks have been included only in "due to other banks," but time deposits due to other banks were included in both "time deposits" and "due to other banks."

9 Of the Federal Reserve Bank cities, all but three—Cleveland, Richmond, and Dallas—are the largest, as measured by aggregate member bank assets, in their respective districts, and thus can be taken as representative of the larger cities. Banks in all other reserve cities (including those having a Federal Reserve branch) would be representative, in general, of the medium-size cities.

10 Chicago, the nine other Federal Reserve Bank Cities, other reserve cities, and the country banks. Cf. table IV for the data.

11 Cf. R. V. Rosa, "Impact of the War on the Member Banks, 1939-1946" in *Federal Reserve Policy* (Federal Reserve Board Postwar Economic Studies No. 8, Washington, November 1947), p. 56.

Tellier & Co. Assets At New Peak

Tellier & Co., Jersey City investment firm, just made public its Sept. 30, 1954 financial statement showing that total assets crossed the $1,000,000 level for the first time, amounting to $1,389,431 compared with $863,533 in Dec. 31, 1953.

Total current assets on Sept. 30 amounted to $1,321,116 against total current liabilities of $388,474. At the 1953 year-end, total current assets were $811,664 against total current liabilities of $93,351.

In an accompanying statement, Tellier & Co. summarized its recent uranium financing operations. Fifteen different uranium companies have been launched by the firm and in each instance an offering of 2,000,000 shares have been sold at 15 cents per share.

The Tellier announcement said that "more than $4,500,000 of venture capital, the life blood of our robust economy, has been invested in the future production of uranium, both for national defense as well as peace-time uses.

"The creation of these 15 companies has meant over 1,000 new jobs in mining areas. The millions of dollars which have been expended for the purchase of new mining equipment and supplies have provided useful support to the steel and trucking industries.

"Consolidated Uranium Mines, Inc. was the first uranium company financed by Tellier & Co. four years ago. Consolidated has already produced approximately $5,000,000 worth of uranium ore and operations are now on a profitable basis. After years of an aggressive expansion plan, that meant the plowing back of all profits, the company has now reached the stage where future profits can be used to build an earned surplus."

Tellier said that of the 15 companies financed, one is producing uranium ore at a profit; four have found sufficient ore to go into production in the near future; and the other 10 companies have found potentially valuable ore showings but require additional development work before they can be classified as producers. The firm's financial statement as of Sept. 30, 1954 follows:

ASSETS		
Current Assets:		
Cash on hand and in banks		$209,668
Customers' debit balances		32,513
Due from brokers—for securities sold but not delivered		32,886
Securities owned		1,045,793
Other current assets:		
Federal stk. transfer stamp		254
Total current assets		$1,321,116
Canadian Stock Exchange, Seat, at cost		16,480
Fixed assets		51,718
Furniture, equipment and leasehold improvements	$76,405	
Less—Reserve for deprec. & amortiz.	24,687	
Prepaid expenses		117
		$1,389,431
LIABILITIES		
Current Liabilites:		
Loans payable		$70,000
Customers' credit balances		65,143
Due to brokers		
For securities purchased but not received		27,457
Accrued expenses		42,802
Accrued taxes		8,072
Esti. Fed. inc. taxes 1954		175,000
Total current liabilities		$388,474
Partners' capital		1,000,957
		$1,389,431

With Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — Richard E. McDowell is now affiliated with Straus, Blosser & McDowell.

Joins Butterfield Staff

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich.—Bill Belanger is now associated with H. H. Butterfield & Co., Jackson City Bank & Trust Building.

Continued from first page

As We See It

often been put forward by political leaders as anti-recessionary measures designed to prevent the rise of unemployment. The grandiose $100 billion road building program now being pushed by the Administration is a case in point. The government's adventure in subsidizing housing is another. Health reinsurance plans have at times in the past been described as a factor in support of the full employment platform. It is not yet clear precisely what is in the cards in the form of foreign aid, but he would be an optimist who expected drastic decline in the funds to be expended in this way. There are a good many who definitely place this type of outlays in the category of insurance against depression. Larger expenditures for defense are put forward as essential to our safety, which they may be, but there need be no doubt that these great outlays are welcomed by a good many in and around Washington as a stimulus to business.

Socialistic Schemes

Now most of these and similar types of public outlays seem to us to be nothing more or less than socialistic schemes which may or may not have the short-term effect of enlarging the volume of business being done, but which in the long run will not serve to increase the economic welfare of the people of this country one iota. The ultimate effect will, we believe, be in the other direction, and might well be drastically, almost catastrophically, so. Few would argue that we do not need more and better roads—indeed that we do not virtually have to have them if by one means or another more and more people own cars, and more and more the population migrates from central cities to suburban areas. But very nearly all, if indeed not all, of current plans for road building are predicated upon enormous further increases in public debt. One of the things we certainly do not need is more and bigger debts.

As to housing, the term has become a word to conjure with. The growth in family formation in recent years, the sharply increased birth rate (together with a declining death rate) and the trek to the suburbs have given rise to tremendous demand for housing, particularly for one-to-four family units. It would be difficult to say in what degree the urge of the politicians to subsidize housing is a result of this demand and in what degree the demand is an outgrowth of the subsidy, but those of us who have lived through building boom after building boom, often carried forward by lax credit accommodations, can scarcely be criticized for strong doubts about what is now going on in this field. The fact that Uncle Sam is endorsing so much of this credit does not in our judgment sanctify it—quite the contrary—and will not in the end save us all from the suffering which later collapse of the boom would entail.

Apparently, the Administration intends, if it can, to continue its farm program much as it is now. Of course, the Democratic party and, for that matter not a few of the President's own party, would like to see more of the taxpayers' money handed over to the farmers of the land as a sort of advanced payment on their vote in 1956. We, of course, are in no position to say what the outcome of this debate will be, but what we can say and do say without hesitation is that all such plans should go out of the window. More than once the politicians have put these agricultural subsidies forward as one of the "built-in" defenses against recession—or in more exuberant moments, as assurance of perpetual prosperity. If the year ahead is to be as good as is now expected by the Washington authorities, it will be an excellent time for a further withdrawal from this ill-starred adventure in political favoritism.

Omissions Significant

The fact is, to carry the reasoning another step forward, that the program being mapped in Washington is as significant by what it omits as by what it includes. The items in the Administration's program which have been under discussion in the preceding paragraphs are for the most part professedly designed to help what is now commonly known as "the economy," and hence enhance the economic welfare of all the people of the United States. Such objectives as these would be much better served if the attention of the lawmakers and the Administration were instead fixed upon removing the handicaps and restrictions imposed by government upon business. If it were to go further and revise the tax laws in such a way as to take the soak-the-rich philosophy out of them, there would be no need for any coddling of any element in the population or any worry about what the future holds so far as the economic welfare of the nation at large is concerned.

The problem in such an event would not be how to insure full employment and resurgent prosperity, but how to prevent bubbles on top of booms, to borrow a phrase from one of the Washington officials, or in other words prevent a runaway inflation and consequent later collapse. Once the shackles applied by the New Deal and the Fair Deal were stricken off, no excuse for subsidizing housing could easily be found, and certainly no need for continuous search for a way to stimulate business—provided, of course, that the government itself put its own house in order.

Continued from page 3

Federal Reserve Policy and Government Bond Holdings

The Federal Reserve adopted restrictive credit measures as inflationary forces increased in volume, and bond prices, as a result, declined sharply. At the time we were experiencing a business boom of imposing dimensions. The Federal Reserve index of industrial production reached a peak of 243 in March, 1953, compared with a level of 193 the preceding July. Private indebtedness was at an extremely high level—notably installment credit—and intense business activity developed into a speculative trend in demands for credit. In the battle against inflation, the rediscount rate was raised early in 1953, and some were of the opinion that pressure on the restrictive side was allowed to become too severe. That is, of course, a matter of conjecture, and the Federal authorities, sensing that the excessive speculative atmosphere was waning, in May, 1953 reversed their credit policy and adopted a policy described as one of "active ease."

It was suggested in some quarters that the Federal Reserve Board has surrendered to advocates of inflation, but this does not appear to be based on factual consideration. Federal Reserve policy to be effective must be flexible, and in the words of Chairman Martin of the Federal Reserve Board:

"There must be restraints on creation of excessive credit in a boom, and a policy of liberal money easing when inflationary dangers no longer threaten stability."

At the time there were unmistakable signs that, while no serious set-back was imminent, it was obvious that a readjustment of some type—described by many as a "rolling readjustment"—was rapidly developing. Under the circumstances, it does not seem that the reversal of Federal Reserve policy, adopted to provide assurance to financial markets and to business that legitimate needs would be met, is inconsistent with the flexible policy outlined by Chairman Martin. As a matter of fact, healthy economic stability and growth are dependent to a certain extent on the flexibility of this policy, and their development is extremely vital to us as bankers.

The Question of Federal Reserve "Open Market" Operations

One phase of Federal Reserve policy has recently been the subject of widespread debate among students of finance as to whether or not the Federal Reserve should confine its open market operations to the short end of the market, preferably Treasury Bills. The history of and reasons for the adoption of this policy are outlined in detail in the Annual Report of the Board of Governors of the Federal Reserve System for 1953. In addition to the directive relating to activity in the short end of the market, there is also a provision that transactions in the System be entered into solely to provide or absorb reserves as the needs of the economy dictate.

Some authorities have suggested that such operations in the short end of the market do not have the potency required to generate prompt action in the areas where assistance is most needed, such as desirable debt management operations of the Treasury. These sources are of the opinion that the scope of operations should be widened to permit activity in other sections of the market when it is deemed necessary to do so to keep market developments and refunding operations on an even keel. Other officials hold to the opinion that the purchasing or selling of Treasury Bills will be quickly reflected in the cost and availability of credit, and that through arbitrage the resulting changes in short-term rates will affect the long-term sections of the market wherein the rates on long-term obligations of individuals, corporations, and municipalities are determined.

There is, of course, no conflict in opinion regarding the general over-all credit policy designed to promote economic stability and growth. Rather, the difference lies in the variations of ideas regarding the effectiveness of the means used to attain these objectives. The matter continues to be the subject of top level discussion at frequent intervals, and I would be inclined to keep posted on the ultimate outcome because it might conceivably have some bearing on decisions in relation to the make-up of your government bond portfolio.

One major area in the problem wherein there is considerable uncertainty is the method of determining when and where there should be intervention in sections of the market other than in Treasury Bills. Opponents of the relaxed policy insist that there are no fixed limitations contemplated that would prevent the return by degrees to the old system of "pegged markets." They add, therefore, that the present system is preferable to maintain the freedom of markets engendered by Federal operations in the short end of the list. The opposition is equally positive that it is desirable to assist the Treasury during periods of strain and that, though the need for such action may be infrequent, it is nevertheless desirable to engage in more widespread use of Federal market activity in emergencies with appropriate safeguards to prevent the recurrence of "pegged markets" at a preconceived level. It is an interesting situation and, as I said before, one that is worthy of your close scrutiny.

In this review of Federal Reserve policy it should now be evident that such policy is a very important element in the development and acceleration of economic growth and stability. The expansion or contraction of credit, regulated by the policy, is also a dominant influence in and trend of interest rates, changes in which are, of course, reflected in Government bond quotations. The interpretation and analysis of these factors can be, and is, therefore, of paramount importance in your investment policy and . . . I would like briefly to coordinate the relationship between Federal Reserve policy and the management of your government bond portfolio.

Watch Federal Reserve Policy

While it is true that the smaller bank may find it expedient to adopt a somewhat different approach than a large bank in the handling of its government holdings, nevertheless, fundamentally, the same factors must be considered and evaluated to be effective in providing the desired type of investment account. Initially, the first step is to keep well informed with regard to Federal Reserve policy. Changes and variations in credit expansion and contraction may occur without notice and may conceivably become operative before you have an opportunity to prepare for their impact. Various publications and bulletins issued by the Federal Reserve Bank have proved very effective in supplying current information with respect to such changes. You may also keep in touch with your city correspondent banks and have them keep you up to date in this connection.

In practical application of the effects of Federal Reserve policy, prior to the accord of 1951 it was difficult to appraise a new security offering on its own merits because of the support offered by the System during the refunding periods. After the accord, it was possible to form judgment regarding the attractiveness of an offering through market processes; in other words, by means of the value placed on the offering through the forces of supply and demand.

Because of the uncertainty regarding the business picture up until just recently, the Federal Reserve has been supplying reserves to the System under their policy of "active ease." Some business indicators now seem to point to a slightly increased business tempo, and changing conditions necessitate a constant review of the influences which affect the trend of the government market. Bond prices will be responsive, it seems to me, to the supply and demand for credit plus Treasury and Federal Reserve policy. The Open Market Committee of the Federal Reserve will meet again in December, 1954 to review its policy. If it is convinced that we have turned the corner and inflationary forces again threaten, it might conceivably give consideration to corrective measures to combat these tendencies. On the other hand, it seems that the normal seasonal fall expansion of loans has not been up to expectations. This may, as many economists point out, be due to inventory liquidation, but there is some uncertainty in this area. In addition, after the turn of the year some seasonal decline in loans ordinarily takes place and the return of circulation adds substantially to bank reserves.

Restrictive measures by the Federal Reserve would tend to raise interest rates and force bond prices down, but declining loans and the return of circulation ordinarily result in increased bank buying, and slightly higher bond prices.

Banks' Need for More Income

The recent refunding operation of Dec. 15 of this year is now history and its terms are well known to all of you. I believe that the final figures will reveal that a substantial amount of the "rights" were exchanges for the 2½s of Aug. 15, 1963. Several factors enter into the picture, namely, the need for more income due to continually rising bank costs and the supplementary fact that a rollover into the 2½s represented trading a 2% for a 2½% coupon. In addition, there is no competition in maturities in 1963 other than the one 2½% issue callable at that time, which makes the issue rather attractive from that standpoint. While it is true that initial quotations on the issue have been disappointing up to date, this is due primarily to technical factors, such as liquidation by holders not desiring the longer issue, and the usual confusion incidental to the flotation of substantial amounts of new securities. It is possible that the issue may sell somewhat higher after it becomes fully distributed, although this will depend on the trend in other sections of the market.

With reference to future investment policy, it is obvious that the Treasury has extended maturities substantially during the last two years. Refunding operations have provided opportunities for banks to extend their maturities materially simply by the acceptance of exchange offerings. This raises the question of whether the Treasury may not look into other areas in refunding nearby maturities. Large amounts of short-term paper have been withdrawn from the market through the refunding media, and I think it is conceivable that the area from 1959 to 1963 may be left undisturbed temporarily, especially in view of the meager totals maturing in 1955. Therefore, if a bank is overly heavy in the '59 to '63 bracket because of refunding operations, I believe it should give consideration to the investment of surplus funds in either the 1½s of March 15, 1955 to provide a look at the refunding offering at that time, or go into the 1957 or 1958 maturities which are relatively attractive in yield at today's market levels. It is true that a rise in interest rates would affect these issues marketwise but not nearly as much as the longer issues, and at the moment, at least, I do not expect a substantial rise in interest rates unless there is a sudden and substantial resurgence of inflationary pressures. According to most indexes, business activity will be stable to moderately higher during the first half of 1955, which should not affect interest rates too much as a result. This is in contrast to last year at this time when it was fairly obvious that conditions were ripe for an advancement in bond prices due to easy money policies, coupled with lessening demand for credit, easing interest rates and reclining loan totals.

The matter of constantly expanding expenses continues to be of major concern to most of us, and I feel that a review of exchange offerings in 1955, and consideration of 1957 and 1958 maturities in relation to portfolio schedules already extended more or less, by refunding operations will provide opportunities for bankers to augment income and re-arrange a satisfactory maturity set-up without acquiring undue market risk.

Rejoins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert S. Lord has rejoined the staff of Paine, Webber, Jackson & Curtis, 605 North Broadway.

Continued from page 4

The State of Trade and Industry

to steel demand, says "Steel," the weekly magazine of metalworking, the current week.

Two spurs to auto output are the threat of an autoworkers' strike at the end of May 2, and the production and sales race between Chevrolet and Ford.

To put auto production at the highest level in over a year, automakers have had to step up the flow of steel to them and also strengthen inventories. This increased pressure of demand for steel has prompted other consumers of light, flat-rolled steel to expand their ordering and inventories. There's considerable belief, states "Steel," that some steel consumers are buying steel faster than they are using it. That certainly would be natural. Whenever you think it's going to take a little longer to get something you lay in an extra supply just so you won't run out if deliveries don't come through.

In response to these demand factors, steel ingot output held steady at 81.8% of capacity in the week ended Dec. 19.

Strengthened domestic demand is not the only good fortune that has come to steel producers in the United States, it adds. They're witnessing a rise in steel demand in Europe. This helps United States producers two ways: It evaporates some of their foreign competition and brings demand from Europe.

Reflecting expanded demand and sharply extended delivery promises in Europe, prices on European steel are advancing sharply. Still higher prices are expected before the year-end. In addition, is the prospect that ocean shipping rates will be raised $1 to $1.25 a ton Feb. 1.

With delivery promises extended on European steel, many foreign consumers of it are inquiring in the United States for steel, says this trade publication.

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 73.6% of capacity for the week beginning Dec. 20, 1954, equivalent to $1,756,000 tons of ingots and steel for castings as compared with 81.8% (revised) and 1,950,000 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 80.3% and production 1,915,000 tons. A year ago the actual weekly production was placed at 1,444,000 tons or 64.1%. 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 Advances Further to Strike 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. 18, 1954, was estimated at 9,909,000,000 kwh., a new all-time high record, according to the Edison Electric Institute. The above figure represented a new all-time high record for the third consecutive week.

This week's output constituted an increase of 63,000,000 kwh. above that of the previous week and an increase of 1,013,000,000 kwh., or 11.4% over the comparable 1953 week and 1,629,000,000 kwh. over the like week in 1952.

Car Holdings Decline 1.2% Below Preceding Week

Loadings of revenue freight for the week ended Dec. 11, 1954, decreased 8,266 cars or 1.2% below the preceding week, according to the Association of American Railroads.

Loadings totaled 653,531 cars, an increase of 1,580 cars or 0.02% above the corresponding 1953 week, but a decrease of 67,811 cars or 9.4% below the corresponding week in 1952.

U. S. Auto Output Stands at Top Weekly Mark of 1954 In Latest Week

The automobile industry for the latest week, ended Dec. 17, 1954, according to "Ward's Automotive Reports," assembled an estimated 150,569 cars, compared with 148,692 (revised) in the previous week. The past week's production total of cars and trucks amounted to 172,249 units, an increase above the preceding week's output of 1,526 units and was only 12% under the all-time weekly high of 196,348 units attained in the week ended June 24, 1950, states "Ward's." In the like week of 1953 123,241 units were turned out.

Last week, the agency reported there were 21,680 trucks made in this country, as against 22,031 (revised) in the previous week and 25,825 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 4,930 cars and 778 trucks last week, against 4,604 cars and 748 trucks in the preceding week and 7,205 cars and 1,647 trucks in the comparable 1953 week.

Business Failures Register Mild Declines

Commercial and industrial failures declined mildly to 208 in the week ended Dec. 16, from 223 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level in four weeks, casualties were slightly under the 210 occurring a year ago but far higher than in 1952 when the toll was 141. Mortality continued 23% below the pre-war level of 270 in the comparable week of 1939.

Failures with liabilities of $5,000 or more fell to 173 from 189 last week and 179 a year ago. On the other hand, small casualties, those involving liabilities under $5,000, edged up to 35 from 34 and exceeded the 31 of this size recorded in the similar week of 1953. Liabilities of $100,000 or more were involved in 19 of the week's casualties as against 17 in the previous week.

Wholesale Food Price Index Declines to Lowest Point Since Nov. 2, Last

Prices of foodstuffs trended lower last week, bringing the Dun & Bradstreet wholesale food price index for Dec. 14 to $6.74, from $6.83 a week earlier. This represented a drop of 1.3% in the week, and it narrowed the rise over the year-ago level of $6.66 to 1.2%. The current index is the lowest since Nov. 2, when it also stood at $6.74.

Only one commodity—cottonseed oil—rose in price the past week. Declines included flour, wheat, corn, rye, oats, barley, hams, lard, butter, cheese, sugar, cocoa, steers, hogs and lambs.

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 Holds to Mild Declines of Previous Week

The mild downward trend in the general commodity price level continued last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered a slight decline to 275.93 on Dec. 14, from 277.83 a week earlier. It compared with 273.39 on the corresponding date a year ago.

Prices in leading grain markets continued to fluctuate irregularly with the general trend toward lower levels.

Wheat moved in a narrow range and displayed some strength at times, reflecting a tightening in the cash market as much wheat appeared to be seeking the Government loan. There was a decidedly weaker tone in corn with prices off sharply from recent highs as demand slowed down considerably and producer marketings increased in volume. Oats showed little change for the week as the market rallied following a period of liquidation. Rye finished lower despite early strength as the result of sizeable export sales. Activity in grain and soybean futures on the Chicago Board of Trade was down slightly from the previous week and the same week last year.

Bookings of hard wheat bakery flours the past week dropped to the smallest volume in several months following the sharp expansion in buying the previous week when large as well as small buyers covered their needs for the next two to three months.

Spot butter prices weakened under increased selling pressure on some accumulation of fresh goods. Raw sugar trended lower in quiet trading as the market awaited announcement of quota allotments for 1955.

Cotton was irregular with closing spot prices slightly higher than a week ago.

Tending to support the market were the steady movement of cotton into the loan and the prospect of continued 90% of parity loans and further acreage curtailments next year.

The Dec. 1 estimate of the Crop Reporting Board, issued the week before, indicated a yield of 13,569,000 bales, or an increase of 363,000 bales over the previous forecast. This was in line with trade expectations and exerted little influence on the market. Activity in the 14 markets declined moderately with sales totaling 406,500 bales for the week, against 444,700 the week before. Net CCC loan entries in the week ended Dec. 3 amounted to 201,400 bales, bringing total entries for the season through that date to 1,365,200 bales.

Trade Volume Exceeds the Level of Previous Week and Like Period a Year Ago

Retailers had happy faces the past week. Shoppers greatly increased their purchases over those of the preceding seven-day period and were buying slightly more than last year at this time.

Merchants reported that departments with higher and lower priced goods had relatively greater gains than those which featured medium priced merchandise. Consumer credit also showed expansion.

The total dollar volume of retail trade in the period ended on Wednesday was estimated by "Dun & Bradstreet, Inc.," to be unchanged to 4% above the level of a year ago. Regional estimates varied from the corresponding 1953 levels by the following percentages: Midwest and Northwest —2 to +2; New England —1 to +3; Pacific Coast 0 to +4; East, South, and Southwest +1 to +5.

Apparel sales were higher than last week and about equal to those of 1953. The greatest weekly gains were registered in children's clothes and men's wear. The demand for small gift items of clothing was heavy and toys and jewelry sold at higher levels than in 1953.

Purchasers of home furnishings also expanded from last week but were unchanged from 1953. Tables, chairs, lamps, china, glassware, rotisseries and electric blankets sold well, while the demand for furniture sets and bedding lagged seasonally.

The dollar volume of food purchases last week was at an all-time high for any second week in December.

A pre-Christmas rush of fill-in orders was received by many distributors and manufacturers in the period ended on Wednesday of the past week, and while buying was slightly higher than last year, it was unchanged from a week ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 11, 1954 advanced 3% from the like period last year. In the preceding week, Dec. 4, 1954, an increase of 1% was registered from that of the similar period in 1953, and for the four weeks ended Dec. 11, 1954, an increase of 2% was recorded. For the period Jan. 1 to Dec. 11, 1954, a loss of 1% was registered from that of the 1953 period.

Retail trade volume in New York City the past week rose for the fifth consecutive week, but according to trade observers, expectations are that sales will not exceed the similar period of last year by much.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Dec. 11, 1954, registered an increase of 4% above the like period of last year. In the preceding week, Dec. 4, 1954, no change was reported from that of the similar week in 1953, while for the four weeks ended Dec. 11, 1954, an increase of 3% was reported. For the period Jan. 1 to Dec. 11, 1954, the index advanced 1% from that of the 1953 period.

Mutual Funds

By ROBERT R. RICH

Long Era of Stability and Growth Forecast by National Securities

Improved prospects for economic stability and growth were outlined today by National Securities & Research Corporation in predicting moderate gains for American business during 1955.

In its special year-end study, "The 1955 Forecast," the research firm scouted the theory advanced by some economists that the traditional "boom and bust" cycle is a thing of the past.

"We believe the business cycle must still be reckoned with," the study warned, "but its fluctuations will be contained within a narrower range."

"The performance of the American economy during the past 18 months," the study stated, "tends to dispel doubts concerning its underlying strength. Despite a sharp and continuing decline in defense spending and a shift from accumulation to liquidation of inventories, industrial production continues at 93% of the all-time high attained in 1953, at about 128% of the average 1947-49 rate and at more than twice the 1935-39 average."

Expressing the opinion that the adjustment begun in the middle of 1953 has already run its course, the study said, "We look for a moderate recovery in the year ahead."

Gross national product is expected to rise to a new all-time high in 1955 of around $369,000,000,000 compared with some $356,000,000,000 for 1954, according to the study which attributed the anticipated increase primarily to an increase in personal consumption expenditures and the rebuilding of inventories.

"Increased spending by state and local governments should offset the indicated decline in Federal spending, and outlays for plant and equipment are expected to remain within range of the recent high levels," National Securities stated.

"New construction activity seems likely to establish a new high record. Business volume under these conditions should expand sufficiently to offset any narrowing of profit margins caused by keener competition, so that corporate net earnings and dividends should rise moderately above the 1954 levels."

The Forecast found nothing in the 1954 Congressional elections to materially alter the business outlook.

The comprehensive 16-page study contains estimated 1955 earnings and dividends of 40 railroads, 25 utilities and 65 industrials together with detailed analysis of the outlook for these industries prepared by the National Securities staff. National Securities sponsors and manages a group of mutual investment funds with assets of over $200 million.

Stabilizing policies of the Government that tend to smooth out cyclical fluctuations were summarized under four separate headings:

1. **Fiscal Policy** — Tax liabilities of individuals and corporations automatically decline when business and personal income decline, thus cushioning the drop in net income. The Government can accentuate this tendency by reducing rates of taxation in such a period. Thus corporate net income before taxes in 1954 declined an estimated 13% below the 1953 level, but net income was less than 5% lower. For individuals, disposable income appears to have increased by an estimated $3 billion, while personal income before taxes was virtually unchanged.

2. **Credit Policy** — By easing or tightening credit the monetary authorities help to maintain economic stability. In early 1953, when inflationary pressures were still strong, credit and debt management policies tended to restrict the expansion, but subsequently, when contraction set in, there was a prompt return to easy money, with noticeably stimulating effects on business. The Housing Act of 1954, which eased terms on mortgages insured by the Federal Housing Administration, was a key factor behind the resurgence in housing. The housing boom, one of the strongest features of the current economy, is expected to set new records in 1955.

3. **Unemployment Insurance** — The unemployment insurance system, which the President has called "a valuable first line of defense against recession," minimizes the loss in consumer demand caused by unemployment. The old age and survivors insurance system has a somewhat similar effect.

4. **Agricultural Price Supports** — Government payments under the price support programs help to maintain the flow of income to farmers, thus tending to stabilize agricultural production and prices.

The 1955 Forecast added: "In addition to these stabilizing factors, other forces will stimulate the long-term growth of the economy. These include the growth of population, which creates an expanding market for goods and services, and the prospects for a steady increase in expenditures by state and local governments for highways, schools, hospitals, sewers and other public facilities.

"The great financial strength built into corporations since the war and the more liberal depreciation provisions of the 1954 tax law should encourage plant and equipment spending in the year ahead."

THE AXE-HOUGHTON weekly business index has advanced six points during the last three weeks and has reached a new high record, completing the recovery from the 1953-54 recession.

The advance in business activity coincides with record-breaking residential construction and a marked recovery in automobile production. It is therefore strongly supported, since these two industries in the past have often been determining factors in important movements in general business activity, Axe comments. The present expansion in new construction and automobile production however has been caused partly by artificial forces, as discussed below by Axe.

Total construction contracts, seasonally adjusted, based on the F. W. Dodge Corporation's figures, reached a new high record in October, excepting only two months when large atomic energy project contracts were awarded. They declined only moderately in November, so that the seasonally adjusted average for the two months was the highest on record without exception.

Residential contracts, seasonally adjusted, reached a new high record without exception in October and likewise were only slightly lower in November, following a rapid increase from January. The interesting thing about the present spurt in new construction is that it should come after four consecutive years of high construction and in a period of high construction costs.

New residential contracts reached a new high record in 1950 and then leveled off for three years. This steady volume seemed adequate to take care of the increase in population and family formation and also to overcome at least a considerable portion of the housing shortage that developed during World War II, Axe notes.

But the rate of new home construction has now been jumped up to a much higher level. This has been done not necessarily in response to normal economic forces but by (1) the easy money policy of the Federal Reserve Banks and the Treasury, and (2) the more liberal mortgage terms under the Housing Act of 1954, which reduced the down payments required on FHA mortgages (as much as 50% for example on homes costing $12,000 to $17,000) and permitted amortization over a period of 30 years.

If this boom continues, Axe states, it may mean gearing up the building material industry to a level impossible of being sustained in later years, and the making of extremely long-term financial commitments by classes of people who may not be in a position to maintain payments.

The rise in automobile production has obviously been brought about less by artificial stimulants than the advance in residential construction and the increase in defense production, Axe believes, although easy money and more favorable credit terms may have played some small part in increasing the demand for automobiles.

The principal possibly temporary forces are (1) the efforts of some companies to regain their former shares of total sales with no absolute assurance that this can be done, and (2) the building up of high dealer stocks as insurance against the danger of strikes when present labor contracts expire next year.

Last summer business activity showed signs of leveling off and this was countered by the release of $5 billion of defense contracts.

The danger that the stimulating effects of this work may soon wear off has apparently prompted the government to announce plans for a gigantic road building program, Axe comments.

There are rumors that this will be followed later by the announcement of plans for the expenditure of even more fantastic sums by Federal and state governments for additional highway construction and other public works such as hospitals and schools, the Axe Survey states.

So despite the temporary nature of some of the forces creating the present upturn in business activity, there is so much more of the same to come, if Congress approves, and the present recovery movement has already gained so much momentum, that business activity seems assured of a generally high level for several months to come.

GROSS SALES of Television-Electronics Fund in November amounted to $4,435,165 and were the largest for any month in its six-year history, Paul A. Just, Executive Vice-President of Television Shares Management Corporation, reported. The November total was about four times sales for the same month last year.

An unusually low rate of redemptions of shares marked the month, Mr. Just said. Liquidations amounted to only $172,468, or about 3.8% of sales. This rate, he pointed out, is substantially below the redemption rate for the industry as a whole this year.

The month's sales, combined with market appreciation and reinvestment in the Fund by shareholders of $2,012,727 of the year-end distribution boosted total net assets at the close of November to a high of $64,905,535.

THE BOARD of Directors of Selected American Shares, Inc., has decided to recommend to shareholders of the company that the stock be split two-for-one.

Edward P. Rubin, President, announced that this decision was reached at a special directors' meeting held today. At the regular annual meeting of stockholders, to be held on April 4, 1955, shareholders also will be asked to approve an increase in authorized capital stock from 3,000,000 to 9,000,000 shares. Upon approval by the shareholders at the April 4 meeting, one new share of Selected American will be issued to shareholders for each present share owned on such future date as may be set. The shareholders will not be asked to return their old shares for exchange.

COINCIDENT with the record date for payment of a 100% stock dividend on Dec. 16, the total net assets of Pioneer Fund, Inc. of Boston reached a record high of $10,026,000. This compares with $4,702,876 at Dec. 31, 1953 and $6,447,809 at June 30, 1954. Pioneer Fund Inc., managed by Granbery, Marache & Co., members of the New York Stock Exchange, was formed in 1928. It is a mutual fund, concentrating on growth situations and in selected securities principally in the over-the-counter market.

ioneer Strikes Atoms In Vall Street's Frontier Industry

A 37-year-old Yale man with a oneering idea a little more than year ago is the head today of mutual fund with assets of alost $12,000,000.

Moreover, this financial chain action will total $30,000,000 by e end of 1955 if the present te of growth continues, predicts ewton I. Steers, Jr., President the Atomic Development Mual Fund, which was a year old is week.

Steers and other officials of the ind were taking stock—no pun tended—in this, the anniversary onth.

He and Merle Thorpe, Jr., the -founders of the Fund, were epared to handle a much lower olume of business during the rst year and felt that, although e idea was sound financially, it ight take two or three years to ild up to the present volume. heir estimates turned out to be the conservative side.

The Fund opened shop on Dec. , 1953, with a minimum reuired capitalization of $100,000. rowth during the first year was e of the greatest ever recorded a mutual fund in its initial ar's operation.

There is evidence that the und's semi-annual announceent of holdings gets unusual tention from the small indeendent investor who looks on e mutual portfolio—required by w to be published semi-annully—as a prime source of free telligence on good stocks. Since e Fund's portfolio contains oldings outside the fields in hich most analysts work, the DMF portfolio offers something ew. The first portfolio printing as for 8,000 copies. Public deand ran this up to 250,000 in ccessive printings during the rst year.

One reason for this interest, teers believes, is that the Fund's nancial advisors have systemaically attempted to weed out those uranium stocks which he refers to as "ladies of easy virtue." The Fund has invested in uranium companies which have substantial ore holdings in the United States, Canada, Africa and Australia.

The Fund also has bought securities of a number of small, little-known companies whose major product at this time is brains, but whose potential seems very good. Investors are on the lookout for the Fund's activities among these companies, which engage primarily in engineering, research and development and instrument work. Careful buying practices must be carried out in its acquisitions.

The Fund benefited from the passage of the 1954 Act, which President Eisenhower signed into law on Aug. 30. The Funds assets have increased by more than $2,000,000 monthly since that time.

The Fund's investments cross the spectrum of atomic energy activity and include the leading industrial firms which operate the government atomic energy program for the AEC. While the fees for these operations are nominal and of little effect in the companies' annual profit-and-loss statements, the atomic know-how built up by these companies is an important asset, he pointed out.

In addition to Steers and Thorpe, the board of directors of the Fund includes 12 other business and industrial leaders. A number of the members have been closely associated with the development of atomic energy.

The brokerage house of Auchincloss, Parker and Redpath is the firm's investment advisor. Technical advisory service is provided to the Fund by Nuclear Development Associates, Inc., of White Plains, N. Y. It is the senior private firm in this country carrying out research and development in the atomic energy field.

Public Utility Securities

By OWEN ELY

Peoples Gas Light & Coke Company

Peoples Gas Light & Coke Company is one of the largest integrated natural gas systems, with consolidated annual revenues of about $141 million. The company itself serves over 960,000 customers in the city of Chicago, with 900 BTU mixed gas. It is also a holding company controlling, through 100% equity interest, Natural Gas Pipe Line Company of America, Chicago District Pipe Line Co. and the recently formed Peoples Production Co. It also has an interest of about 71% in Texas-Illinois Natural Gas Pipe Line Co. The two pipe line companies in turn control (each having 50% ownership) Natural Gas Storage Co. of Illinois. Natural Gas Pipe Line also controls Texoma Production Co.

Texas-Illinois operates a pipe line system about 1,200 miles long from the Texas Gulf Coast to the Chicago area, serving some smaller utilities in addition to Peoples Gas. Natural Gas Pipe Line operates a 900-mile transmission system from the Panhandle Field in Texas and the Hugoton Field in Oklahoma to a point near Joliet, near Chicago; it also sells gas to a number of other utilities in addition to its parent company. Chicago District Pipe Line, as the name implies, is a terminal line connecting Joliet and Chicago. Natural Gas Storage Co. of Illinois, organized in 1951, has been engaged in developing and operating the Herscher Storage Dome about 55 miles south of Chicago. As of recent date nearly 19 billion cubic feet of gas had been injected into the Dome, of which about three-quarters was "cushion" gas, the other one-quarter being owned by various utilities.

In the production end of the business Natural Gas Pipe Line produces about one-third of its gas requirements and its subsidiary, Texoma, has acquired 116,000 unproven acres and is also participating in some offshore drilling. Peoples Production, in which Peoples Gas has a commitment to invest some $8 million, was organized last March for exploration purposes, and it owns a 25% interest in a group which were successful bidders for four leases in the Gulf of Mexico, purchased for $15,218,000 from the State of Louisiana and the Federal Government. The drilling of a well on one of these leases was begun in July, 1954, but was interrupted by hurricanes; additional drilling is planned.

On an overall basis the system sells nearly two-thirds of its gas (in therms) to other gas utilities and about one-third in the Chicago district. Residential sales in the Chicago area account for about 38% of revenues with commercial, industrial and off-peak sales adding 17%; while interruptible service and sales to other gas utilities account for the remaining 45%. (Statistics are for the 12 months ending Sept. 30, 1954.) Residential sales which include space-heating contribute 17% of revenues, and this business will doubtless grow rapidly as the company builds up its underground storage facilities in the Herscher Dome.

This was illustrated in some elaborate charts (Exhibits 10 and 11) in the statistical brochure issued in connection with Chairman Oates' talk before the Boston Security Analysts Society recently. The number of residential space-heating customers increased slowly during the decade ending 1944 but in the past decade jumped from 25,000 to 153,000. As of September, 1954, despite two increases in the price of gas in the past two years, gas at slightly under 9c per therm in Chicago still costs only slightly more than stoker coal, and substantially less than hand-fired coal and No. 2 fuel oil. There is therefore a substantial growth potential in the heating business.

The Herscher Storage Dome project is about a year behind the original schedule, largely due to a leak which has not yet been located. The experts are still searching for this leak, which is said to be comparable to the thickness of a lead pencil. However, the company is designing a gathering system with which this escaped gas can be recovered and returned to storage and which will permit continued development even if all the leaks are not found.

According to Chairman Oates, recent earnings have been adversely affected by inability to put increased supplies of gas (obtained by Texas-Illinois last February) in the Herscher Dome, because of the testing program and also to the fact that such gas was not then readily salable to industrial interruptible and off-peak customers (mainly because of reduced industrial activity). Earnings for the third quarter were 65c compared with $1.35 in the third quarter of 1953; however, first half earnings exceeded the previous year by $1.34 so that it is still possible for the calendar year to show a substantial gain over the $9.72 reported last year. Chairman Oates stated "It is our belief that this is a temporary situation and that the System can expect in the future to benefit from the great advantages of terminal storage."

Exhibits 17 and 18 in the brochure describe the present sources and costs of gas and the probable trend of supply over the next 20 years. Due to the declining trend of the reserves owned by Natural Gas Pipe Line it may be necessary in the future to purchase increasing amounts of gas on short-term contracts. The situation with respect to rates, litigation and growth potential were described in some detail in the text of Mr. Oates' address.

Peoples Gas has been distributing mixed gas since 1931, but in 1952 the contribution of natural gas to the thermal content was increased from 80% to 90%. It is the present plan to go to 1,000 btu. gas some time in 1956, which will permit the existing distribution system to meet larger customer demands. The company will then discontinue buying manufactured gas from Chicago steel mills and probably dispose of its own coke oven plants.

Chairman Oates has estimated that the company's construction program will require equity financing of about $15 million next year, in addition to mortgage bonds. System capitalization was as follows as of Sept. 30, 1954:

	Millions	%
Long-term debt	$246	58%
Preferred stock	12	3
Minority interest	13	3
Com. stock equity*	155	36
	$426	100%

*1,118,367 shares.

During the postwar period the company's dividend policy has remained very conservative, with payout averaging about 60-65%. The $6 rate continued from 1949 until recently when the rate was changed to $7. In addition, stockholders in the past six years have received rights totaling about $10.72 a share, or an average of about $1.79 per annum. Regarding the high price of the stock, recently around 150 (range 169—134½ this year) Mr. Oates discussed the question of a stock split, and indicated that the directors had decided against any action at this time due to the possibility of litigation.

"MERRY CHRISTMAS"!

Eaton & Howard Names Wolbach as Trustee

William W. Wolbach, Vice-President of the Boston Safe Deposit & Trust Company, has been appointed a Trustee of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund, according to an announcement Dec. 21 by Charles F. Eaton, Jr., Chairman of the Trustees.


William W. Wolbach

Mr. Wolbach is a Trustee of New England Deaconess Hospital, The Children's Hospital and Massachusetts Memorial Hospitals; Chairman of the Board, Director and Member of the Executive Committee of West Point Manufacturing Company, Treasurer of the Family Society of Greater Boston; Incorporator of The Boston Five Cents Savings Bank and Brookline Savings Bank; Director of the Arthritis & Rheumatism Foundation; and a Member of the Executive Committee of The Boston Security Analysts Society and a Director of the National Federation of Financial Analysts Societies.

Mr. Wolbach's appointment as Trustee of the Eaton & Howard Funds increases the number of Trustees from five to six. Other Trustees are Charles F. Eaton, Jr., Chairman, Laurence M. Lombard, George Mixter, Brooks Potter, and W. Elliott Pratt, Jr.

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Farmers and the Future

37 million over today. During that same period, our farm population is likely to fall below the 20 million mark. It is only 22 million now.

I sincerely hope that no one will seize upon these figures as evidence that I propose to tell anyone he should leave the farm. This is a free country and I believe that every American who wants to farm has a perfect right to do so. I also believe that he must be prepared to accept the normal risks which go with farming, just as the butcher, the baker and the candlestick maker must reconcile themselves to the uncertainties which go with their chosen occupations.

Our farm population decline some eight million between 1933 and 1952—far more than during any similar period in our history. And this farm exodus occurred during the stewardship of a political party, some of whose leaders have suggested that the present Administration is seeking to drive our rural people from the land.

Nethertheless, it is fortunate that the founders of this Republic were wise enough not to write into the Constitution any provision which would have established an inflexible ratio between the number of farm and city people in the United States. Had they done so, we would today be a nation of 141 million farmers and 22 million urban residents, instead of the other way around. That is, if we had managed to survive at all. And, to put it mildly, life in these United States would be very different and exceedingly more difficult than the one we know.

It seems to me that our growth pattern as a nation assures a bright future for farmers of tomorrow. During the next 15 years we will have to increase our total agricultural output by approximately one-fourth to provide for each of our new citizens the same kind and amounts of food available to the average person in the United States today. We must obtain this expanded production from roughly the same acreage in cultivation now. Even though we bring some new land into agricultural use through irrigation and reclamation each year, this gain is offset by the farm acreage which is lost as the population of the cities overflows into new suburban developments.

Here is a stirring challenge—and an unparalleled opportunity—for agriculture. It is not too early for farmers to begin looking ahead toward the more efficient utilization of their land and other resources which will be required to meet the expanding markets of tomorrow. We must press forward with soil fertility building programs against the day when reserves will be needed.

Government's Role Should Be Minor

Government can and will play a part in helping agricultural adapt to the new circumstances and conditions. By far the greater part of the job will be done, as it has in the past, by farmers themselves. It will be accomplished through the use of better breeds, feeds, seeds and generally improved farming practices. It will come about in no small measure through research, education and market expansion and through further reduction in the time lag between the discovery of new methods and techniques and their application in the field. Maximum progress will come only if agriculture is free and farmers can make their own management decisions on their own farms with a very minimum of government regulation and control.

Last spring, before Congress adopted the basis for a sound farm program, there seemed a possibility that rigid, high price supports might continue for the 1955 crops. Rigid price supports must be accompanied by rigid controls. Accordingly, we announced the intention to require cross compliance and compliance with a total acreage allotment as conditions necessary for price support. These rigid controls, though necessary if rigid high supports had been continued, would have been contrary to the wishes of farmers and contrary to the desire of this Administration. As I said of these controls in June, "They are not the answer to the farm problem." Had it been necessary to put them into effect, they would have been the strictest controls ever imposed on our farm people.

By September, changed circumstances made it possible to eliminate the total acreage allotment requirement from the 1955 program. Congress had passed the Agricultural Act of 1954, moving toward price flexibility and greater freedom of operation. Congress had also adopted the Trade Development Act which gave us new opportunity to move our accumulated surplus from farm commodities into channels of consumption abroad. In addition, a spreading drought which at its peak embraced 949 counties in 18 states not only reduced this year's crop yields but also made it imperative that farmers in the stricken areas be given every opportunity to make a recovery.

What Is Good for Agriculture Is Good for America

This combination of events enabled us to eliminate the total acreage controls which would have been as distasteful to this Administration as they would have been to farmers. Our constant objective is to do what is best for farmers and what is fair to all of our people. In the long run, what is good for agriculture is also good for America.

Meanwhile, the remaining special controls on the planting of vegetables and potatoes on diverted acres have been under constant study. Further development has modified the picture. Drought remains severe in widespread areas, with the need to rebuild feed supplies in much of the South, the Southern Great Plains and parts of the West. Marketing quotas for all of the basic crops except corn, which is the present prospect, would automatically accomplish the greater part of the objectives for which cross compliance was intended. With the relaxing of controls, there would be greater opportunity to grow feed grains and other crops, thus reducing the pressure to plant vegetables and potatoes on acres diverted from the basic crops. With our emphasis on marketing at home and abroad, we have opened additional outlets for American farm products.

Accordingly, we announced earlier this week the elimination of cross compliance and allotments on potatoes and vegetables from the 1955 program. Farmers will have, for 1955, the same freedom to use diverted acres as they had in 1954.

I am convinced that the freedom which results from this step will be of great value. By far the most of our potatoes and vegetables are produced in regions which are not diverting acreage from the basic crops. In 1954, when farmers were free to use diverted acres in any manner they wished, the acreage of vegetables and potatoes was not increased.

The administration of these regulations would be difficult if not impossible. Farmers have expressed overwhelming opposition to these controls in our discussions with them. Costs would be in the neighborhood of $3 million. Under present circumstances I can think of many ways in which the people could spend $3 million better than in taxes to pay for the red tape of cross compliance and vegetable acreage allotments.

While we recognize that there are some hazards in moving in this direction, we also believe the beneifts will more than offset them. Perhaps Congress should more clearly define this whole area of farm production controls.

New Farm Program Is Toward Greater Freedom

The Congress has chosen a farm program which heads us toward greater freedom. If I properly interpret the position of the American people, they concur in that decision. Therefore, it is appropriate for us in the Department of Agriculture to use our administrative authority in such a manner as to provide as large a degree of freedom as is consistent with the responsible administration of our farm programs.

But if any one should contemplate a return to price rigidity, let him recognize that the strictest of controls are constantly in the background, the necessary counterpart of rigid, high price supports.

Simultaneously with the relaxing of these restrictions, I announced the 1955 level of price support for oats, barley, rye and grain sorghums. Support will be at 70% of parity. Price support for various of these grains during the past 15 years has fluctuated between 35% and 85% of parity.

I should like to indicate reasons for setting price supports at this level.

First, 70% of parity will be approximately the same as the level of price support for corn in the non-commercial areas. The eligibility requirements for these feed grains are identical with those for corn in non-commercial areas.

With the acreage increases that occurred in 1954 and are in prospect for next year, the estimated cash income from these crops in 1955 would be about 15% greater than in 1953.

The greater price flexibility permitted by this action will be of help to hard pressed dairymen and poultrymen, who buy these feeds.

In 1954, producers of feed grain increased their production by 10 million acres. At the 1954 level of price support, very heavy supplies are coming into the hands of the Commodity Credit Corporation. Our probable losses on these 1954 crops, when holdings are finally liquidated, are estimated at $87 million.

It is clear that farmers desire to hold production of feed grains at a high level in 1955. In order to prevent the acquisition of prohibitive quantities of these grains by the Commodity Credit Corporation, it will be necessary to establish price supports at a level which, while giving effective support, will nevertheless permit the great bulk of these feed crops to move into use.

Our livestock population is high, the drought continues and subsoil moisture has been depleted in certain areas. This year's corn crops is under 3 billion bushels — less than we expect to use—and we will probably be drawing on CCC stocks of corn before the feeding season is over. Under these circumstances, it is in the interest of farmers to permit our feed to go into use rather than to accumulate in government hands. This action on feed grains is intended to achieve that objective.

As we adjust our price supports realistically, it is possible to relax our controls. At 70% of parity for feed grains, the Commodity Credit Corporation will **support** the market rather than **become** the market. By relaxing cross compliance and the vegetable acreage restrictions, we will provide a degree of operating freedom that is in keeping with basic decisions made in the Congress, confirmed on the farms and ranches of this great land. We deliberated long on this decision, and sought counsel from farmers and the farm organizations and from farm legislators and State committees. The decision and the responsibility for it are our own. We think it is a wise decision—a decision in the best interests of agriculture.

Acres diverted from the basic crops in 1955 can well be used in a soil conserving manner. They can be used to produce the high quality roughage needed to balance our livestock rations. Through its various programs, the Department of Agriculture will step up its effects to give farmers assistance in making soil conserving uses of the acres diverted from basic crops.

The Outlook for 1955

For the year ahead, I believe the outlook is generally good—both for agriculture and the Nation as a whole. Business activity is on the upturn and is at the highest peacetime level in our history. This assures a continuing strong domestic demand for the products of our farms. Agricultural exports are likely to be somewhat higher.

Net farm income in 1955 is expected to be near this year's total of $12.5 billion. Any reduction which might occur will probably come about as a result of production controls on wheat and cotton, rather than through lower prices.

It is important to remember that Commodity Credit Corporation today either owns outright or has under loan approximately $7 billion worth of farm commodities. This is equivalent to nearly one-fourth of the value of our total agricultural production for an entire year. Until some of these surpluses built up under past price support programs are reduced substantially, agriculture will not be without its price problems. We are paying now the cost of past borrowing against future markets.

Yet we have made a good start toward developing effective methods of dealing with our most pressing problems of surpluses and unbalanced production. We are headed in the right direction at last—toward a solution rather than toward increasingly greater accumulations of food and fiber in government warehouses.

I am optimistic about both the short-term and long-range outlook for American agriculture.

With the help of God, we can make it bright and sound.

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Outlook for Business and The Stock Market in 1955

particular type of question being considered.

Third—From these independent opinions, and from this checking and weighing process, a "United Opinion" is formed — which we believe is more comprehensive, and more dependable, than the judgment of any single authority.

There you have—in a nut shell —the real foundation of our business.

Now, let's get on to our "Forecasts for 1955"—In general we are heading into an "up" year, instead of a moderately "down" one, as was the situation last December. However, just in case some of you may have been unduly enthused by the recent action of the Stock Market, let me assure you that the degree of "upness" next year will be of about the same magnitude as the "down-ness" was this past year.

In short, we forecast a *moderate business upturn.*

Grounds for Forecast

Our principal reasons for reaching this conclusion are:

(1) Still higher construction activity in 1955 (probably up about 6%).

(2) Continuing high business expenditures for plant and equipment, even though they will be somewhat less than in 1954.

(3) The end of overall inventory liquidation, and probably some net buildup by late spring.

(4) Continued moderate decline in the rate of personal savings.

(5) The feeling of optimism and confidence which now exists exists among businessmen as to the outlook for 1955. (Witness the recent stock market.)

Undergirding these specific items are the broad long-term growth factors of increasing population and continuing technological improvement. Then, in addition, we can point to accelerating economic recovery in Western Europe as a sort of "plus item" to support our expectation of a better business year in 1955.

The "cold war" situation is an ever-present threat—as it has been for the past several years. This threat will continue in 1955 and it is probable that there will be some "hot war" flare-ups in Southeast Asia. However, we do not expect the outbreak of a *major war* next year, nor the recurrence of any military action comparable in size with Korea.

Outlook for Specific Items

Let us turn now to the specific items covered in our Annual Forecasts. First, *General Business*—We expect the total volume of business in 1955 to run 4%-5% ahead of this year, though it will still be slightly under the 1953 level. The current business *uptrend* should continue through the first half of '55—then some slowdown in the third quarter—and a renewed pickup toward the year end.

Expressed in terms of our "United Business Thermometer" —with which I trust you are all familiar—and which now reads about +28—we expect a range of from +26 to around +35—which pictures a right good business year, any way you look at it.

Industrial Production will probably flow along with about the same overall increase as general business. Durable goods should be up about 6%-8%, nondurables about 3%-4%, and minerals perhaps 2%-3%. No serious materials shortages are expected, though there may be a few "tight spots" in certain items.

The FRB Production Index, which is now 127, will probably reach a high of 135, and average around 130 for the year as a whole. This would compare with an average of 125 this year and 134 in 1953.

Steel Production is expected to rebound next year, with a total ingot output of just about an even 100 million tons. This would mean an operating rate of about 80% of capacity over the year as a whole, though it will, of course, vary from month to month. Some high-cost facilities will be closed down and better operating efficiency will be evident throughout the industry.

Prices will firm up in the first quarter and some "extras" will e increased. Come summer, a oderate wage increase is likely say 5-7c an hour — and then ices will probably be raised $3 $4 a ton all along the line. We not anticipate any major steel rike, though it *could* happen.

Earnings should be up around % for the leading producers in e industry.

Building will be a continuing isiness support of major proporons. We expect new construcon to hit a record figure of $39.5 llion—a 6% gain over this year's gh total of $37 billion.

Residential outlays will be up bout 10%, nonresidential up 5%, ilities about even and public orks up at least 6%—perhaps ore.

Building *costs* will be firm to ightly higher, materials will be lentiful, and ample mortgage oney will be available at low terest rates.

Real estate prices should hold irly firm on new units but will rop some on older property— ue to greater obsolescence.

All in all—a very good building ear in most all divisions.

Automobile production is exected to total about 6.6 million ars and trucks as compared with ome 6.3 million in 1954. The diision will be about 5.6 million assenger cars and 1 million ucks.

This may not sound like much f an increase, but bear in mind hat this year we are having two xtra "big months" of automotive roduction due to the early inroduction of new models. This fluence will not be so great anther year. However, auto sales 1955 *will* be stimulated by unsually attractive new models, asy terms and high buying power.

The only real fly in the autonotive ointment is the possibility —I might almost say probability f a major strike next summer. The U.A.W. has been held in check or the past five years by a longerm contract and indications point o some rather unreasonable deiands in the coming contract neotiations. Whether these can be uccessfully compromised without strike, is anybody's guess.

Retail Trade

In the field of *Retail trade*, we orecast continued stiff competiion, but a year of high volume nd fairly steady prices. Invenory troubles are pretty well leared up, and some stores may un a little short this Christmas eason.

For the full year 1955, we foreast total retail sales of $175-$176 billion—an increase of about 3% over this year's record figure. Durable goods sales should be up around 5%, and nondurables about 2%. Urban sales will make a better showing than rural.

Commodity Prices will be characterized by "stability" in 1955. Productive capacity is entirely ample to meet the expected larger consumer demand in most all cases, but firm-to-rising costs, and some inventory rebuilding, will prevent any serious weakening of the price structure for industrial items.

Farm commodities will be relatively firm in the first half, with some weakening around harvest time. Support prices, of course, will be somewhat lower for the 1955 crops.

For *Agriculture*, we forecast a reasonably good year, with Farm Cash Income around $30 billion— off only about 1% from this year. Wheat and cotton production will be smaller, but most other crops will expand.

Farm *prices* are likely to average 1%-2% less than in '54, but production costs and expenses will also decline, so farm purchasing power will be only very slightly under this year. Agricultural exports will be somewhat larger, and farm land values are expected to stay about where they are now.

Credit Conditions will show no important changes in '55. Bank loans to business are expected to increase moderately and *consumer* indebtedness will go up to an all-time high of around $30 billion. However, the Federal Reserve authorities can be depended upon to keep general credit conditions both easy and stable.

The *number* of failures will continue upward, but at a slower rate. Liabilities of failed firms may also rise a litle but the changes will be minor. All this does not mean that credit men can go to sleep, however. Competition and faulty management will continue to take their toll of individual firms, and credit losses can, and will, occur.

On the *Labor* front, we forecast more strikes and a moderate increase—say 2%-3%—in average wage rates. These things go along naturally with a period of improving business.

Unemployment (now about 2.7 million) is expected to average about 2.5 million next year—moderately less than in '54. The statutory minimum wage of 75 cents an hour will probably be raised to 90 cents—perhaps even to $1.00. Living costs will trend very slightly upward, but no major change.

As I said earlier, the most critical labor situation exists in the Automotive industry and that one is anybody's guess.

In the field of *Foreign Trade*, we believe that the expanding European economy, stimulated by German rearmament, presents the best single prospect for *growth* of U. S. trade. *Canada*, of course, will continue as our "No. 1" customer and we expect this trade to increase moderately, with the Canadian dollar remaining at a premium. In total, we expect 1955 exports to rise about $1 billion from this year's total of around $15 billion. Imports should total about $11 billion, compared with $10.3 billion this year. Some form of sterling convertibility—at least for current transactions — seems highly probable in 1955.

Turning now to the financial and investment items, we believe that *interest rates* will show little change from present levels and that *bond yields* will stay in a narrower channel in '55 than during the past year.

Specifically, we would expect ranges of 2.60%-2.40% for longterm governments, 3.00% to 2.85% for A1+ corporates, and 2.60%-2.25% for municipals. In general, the market for *corporates* should be somewhat stronger than for municipals—largely because new corporate financing is likely to be off about 10%, while municipal offerings will be up some 20%, due particularly to a large number of Toll Road bonds.

No change in bank reserve requirements seems probable, but stock margin requirements may well be boosted back to 75%. (Frankly, I hope they are.)

Earnings and Divilends will continue to be bright spots in the overall financial picture. Both will increase next year, with total corporate earnings (after taxes) up some 6%-8% to a total of nearly $20 billion.

Utility earnings will keep pegging along with an increase of around 8%, and rail earnings are likely to be up 20%-25% as compared with 1954.

Also, we expect somewhat more liberal dividend actions next year, with the total payout going up at least 10%.

Now to the *Stock Market*. This is the point where I should pick up the crystal ball, because *here* we are *not* dealing with measurable facts, but with the vagaries of human behavior. A year ago we mis-estimated that behavior rather badly, even though our calculations of the facts involved were about right. The same thing, of course, could happen again, but I know of no better procedure than to apply the measures and methods we have used for many years and give you the results. So here they are: We forecast that the general trend of the stock market in 1955 will be *upward*, but within a narrower range than in 1954. For the D-J Industrial Average (392 at this writing), we estimate a range of 350 on the low side and 425 for the top. For the rails (now 135), a range of 125-150 and for the utilities (now 61), a range of 58-68.

Particularly *good* industrial groups are likely to be the *Steels, Radio-TV, Cement, Aluminum,* and *Electrical Equipment*.

The big name leading companies will continue to give a very good account of themselves, but the best opoprtunities for sizable appreciation are likely to be found among the secondaries that are showing particularly favorable earnings and growth trends.

Well, there you have our Forecasts for the coming year. As I said in the beginning, it will be an "up" year as to *trend*, but *moderate* in degree. The chief supporting factors will be building, including highways — high consumer purchasing power and spending—continued large defense and other governmental expenditures—a reversal of the inventory trend — and a feeling of confidence on the part of business executives which will lead them to approve sizable capital expenditures for the future, and aggressive selling campaigns for the current year.

My only fear—other than the war hazard—is that this combination of favorable factors may lead to a *boom* psychology in late '55 or '56 which *could* get out of hand. However, the Federal Reserve Board has adequate power to prevent such a happening, and I believe they will have both the wisdom and the courage to use it, if the need should arise.

So, *all* things considered, a good business year in 1955 and a continuing sound economy in '56.

Joins Albert Theis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Ralph R. Smith has become associated with Albert Theis & Sons, Inc., 314 North Fourth Street. Mr. Smith was formerly with Barrett Herrick & Co., A. A. Tibbe & Co. and Scherck, Richter Company.

Carr Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Alan A. Zimmer has been added to the staff of Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

New Haven Equipment Certificates Offered

Halsey, Stuart & Co. Inc., on Dec. 17 headed a group offering $3,345,000 of New York, New Haven & Hartford RR. Co. 3% equipment trust certificates maturing annually Jan. 1, 1956 to 1970 inclusive. The certificates were priced to yield from 1.75% to 3.25%, 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 $4,-477,000.

Other members of the offering group are: R. W. Pressprich & Co.; Freeman & Co.; Gregory & Son Inc.; Ira Haupt & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.

Tuttle With Herrick

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Jasper W. Tuttle has become connected with Barrett Herrick & Co., Inc., 1016 Baltimore Avenue. Mr. Tuttle was formerly cashier for the local office of E. F. Hutton & Company and prior thereto for Uhlmann & Latshaw.

Junior Industrialists Receive Stock Exchange Award

President Funston names teenage officers of Monco Products of Dayton winners of nationwide contest for best annual report by a Junior Achievement company.

President G. Keith Funston and the Board of Governors on Dec. 14 in the Governor's Room of the New York Stock Exchange presented the institution's First Award in its annual award for the best annual report by a Junior Achievement Company.

The contest rewards the successful efforts of young people who are learning how our business system works.

Winners of First Award are Mr. David K. Macci, Mr. John Armstrong, Miss Joanne Armstrong and Mr. Jack Remley. They prepared the report of Monco Products of Dayton, Ohio, manufacturers of Christmas candles, bath crystals and a weed killer.

Mr. Armstrong and Mr. Macci served successively as presidents of Monco Products during the 1953-1954 period. Miss Armstrong and Mr. Remley were successive treasurers of the company.

Winners of Honorable Mention are:

Copper Art Products Company, Elizabeth, New Jersey; and Crescent Laboratories and Del Products, both of Chicago.

The contest judges were Mr. Clarence Francis, a Public Governor of the Exchange; Mr. Thomas J. Keller, President of the New York Financial Writers Association; Mr. Don G. Mitchell, Chairman of Sylvania Electric Products; Mr. William R. White, President of the New York Society of Security Analysts, and Phillip L. West, Vice-President of the Exchange.

The Monco Products Company was started in October, 1953, by eight girls and five boys, in Dayton. They were aided by four adult advisers from Mound Laboratory of Monsanto Chemical Company, located in nearby Miamisburg, Ohio.

The young people decided to make three different products. First they made the Christmas candles, later they made bath crystals, and in the spring the weed killer.

To get the capital to start operations, the Junior Achievers sold stock at 50 cents a share. They sold 194 shares to 66 people.

From sales of their three products they received a total of $648.60 in the seven months from October, 1953 to April, 1954. Net profit, after paying all expenses and setting aside a provision for Federal income tax and other taxes on business, came to $22.53. Junior Achievement companies do not pay an income tax, or most of the other business taxes. However, the Junior Achievement organization requires them to show in their financial reports what the effect of taxes would be.

The 66 share owners of Monco received their original investment back—plus a 10-cent per share dividend. This represented a return of 20% on their investment.

In presenting the award, Mr. Funston said:

"As the result of organizing and running miniature enterprises of their own, Junior Achievement members gain scrimmage practice with the fundamentals of business, from which they learn the relationship between those who manage, those who labor and those who supply the funds."

Continued from page 6

The Progress of the Aviation Industry

ple, perhaps you recall the dark days late in 1950 when Russian-built MIG-15 jet fighters threatened to take control of the air over our fighting forces in Korea. A new, almost unheard-of U. S. airplane was rushed to Korea. This was the now-famous F-86 Sabre Jet, of which we at North American are quite proud. When the Korean War ended several years later, the Air Force pilots had achieved the remarkable record of shooting down 802 Communist MIG-15s with the loss of only 58 Sabres—a combat ratio of almost 14 to 1. Now here is the moral of the story. The F-86 was not hastily put together in 1950 to meet the new MIG-15 threat in Korea, but rather had been going through an intensive design and development program for five years when the Korean War started. We had received the experimental contract to design and build test articles of this model in May of 1945, and had flown the first airplane in October, 1947, more than three years before the airplane was needed for one of the most important jobs in the history of military aviation. Without it—well, the story in Korea might have been far different if U. S. troops had been required to fight under a sky controlled by the enemy. This has never happened yet, and we must hope that it never will.

Large Aircraft Companies Only a Part of the Industry

As my description of a typical program has indicated, the large aircraft companies are only part of the aircraft industry. There are the companies which build the engines, comprising perhaps the second largest segment of the industry. Then there are the parts and equipment manufacturers — supplying everything from rivets, nuts, and bolts up to extremely complex and costly radar and other electronic gear. And finally there are the subcontractors to whom we farm out certain of the manufacturing work. To bring this closer to home for you, there are quite a number of firms right here in Chicago with whom we have orders amounting to a volume of more than $1 million a year. An interesting example is Brunswick-Balke-Collender Co., best known for its billiard tables, from which our Columbus division buys large quantities of a new honeycomb type of material used in aircraft structures. Altogether, the airplane production network reaches into every state and every major city in the nation. It has been estimated that a total of more than 50,000 firms, both large and small, participate in one way or another in aircraft production.

Some Facts About Aircraft Industry

Narrowing our focus still more, I would like to enumerate certain facts about the industry that are fundamental to a proper understanding of its operations.

1. **There is extraordinary emphasis upon research and development.** I have already commented on the importance of technical success to a company's future sales. As the President of our company, Lee Atwood, remarked in a recent talk, "A winning design is the ticket of admission to the production show." So we have the ever-present incentive to do the best possible design job. Now, doing a good job in aircraft research and development, where technical progress is extremely rapid, is a very large undertaking. Just how large can perhaps be indicated by the fact that in our company we now have more than 6,000 people working in the departments responsible for airplane development and engineering. This excludes the 5,000 people that we have working on missile and related development work. I'll try to touch on that phase a little later when I discuss our company. Another way to indicate the scope of the engineering job is to tell you that we put in 1½ million man-hours of engineering on a recent new model prior to its first flight. If you wish to reduce that down to something more understandable, it is the equivalent of a full year's work for about 800 engineers.

2. **Technical leadership demands costly research and development facilities.** To stay out in front in the technical race between the competitive aircraft companies, a company must have access to the most costly set of development tools in the history of American industry.

We have thermodynamics laboratories, wind tunnels, altitude test chambers, structures laboratories, hydraulics laboratories, electrical labs, and just about every other kind of scientific development and test set-up that has been invented. Take wind tunnels as an example — and probably a good one because they are so characteristic of the unusual needs of our industry. We built a fine wind tunnel in 1942 at a cost of about $350,000. It was capable of speeds up to about 300 mph. In 1948 it became evident that we needed a supersonic tunnel, so we built a very small one with a 16-inch test section at a cost of about $400,000. Today this has become inadequate for our new airplane requirements, and we are now preparing to build a new $5 million tunnel with a 7-foot test section. We still plan to get a good use of our original tunnel for low speed work, and of our small supersonic tunnel for missile work, but if we are to solve the aerodynamic problems that lie ahead in airplane design we must proceed with this large new investment.

3. **Production equipment required to build aircraft is becoming more costly.** At the same time that our capital requirements for research and development facilities have been rising, a similar trend has been occurring with respect to production facilities. In the days of the Wright Brothers the basic tools for aircraft manufacture were probably a wrench, a screwdriver, a glue-pot, and a sewing-machine. We got into rivet guns when airplanes became all-metal structures in the '30s. But aircraft tools were still relatively simple compared to the heavy and highly specialized equipment necessary to fabricate the structures of this supersonic age. A dramatic example is the present situation where you need $500,000 worth of machine tools to perform the job that could be done by a few men equipped with $50 rivet guns in 1940. This situation actually exists in the aircraft industry, where we formerly shaped a wing skin by merely wrapping it over the ribs and riveting it in place, but now must use giant skin mills to taper the thickness of the heavy wing plate, and then form the heated plate to the wing curvature in a huge press equipped to quench the plate under pressure. The cost of production facilities is so great that no company could hope to finance as much as it requires during periods of large production. We like to feel that we can at least maintain with our own capital a nucleus of production capacity for reasonable peacetime levels, but we must turn to the Government for the plant and equipment needed to produce at high levels and to maintain standby mobilization capacity for emergencies.

4. **Like all contracting industries, we have serious working capital problems.** I have mentioned the long time span involved in fulfilling our contracts. This factor, coupled with the complexity and size of the product and the resultant high inventory cost that must be incurred before delivery, means that we have very large capital requirements. Through a progress payment arrangement very similar to that employed in the home building field, the Government provides a large part of the necessary capital. Even with this assistance, the industry often requires additional working capital, and we often find it necessary to borrow large sums to tide us over a heavy inventory period. At this point I might mention that I have more than a nodding acquaintance with some of the finest banks in the country, about 21 in all that we do business with, including your own excellent Continental Illinois National Bank and Trust Company and the First National Bank of Chicago. These commercial banks have played a very important part in the nation's aircraft program, and at all times have been very helpful to us in our financial and banking problems.

5. **The industry is subject to the uncertainties of Goverment procurement.** As the final major characteristic that you should know about, I must point out that the industry is dependent for a large part of its business upon the government. Now when the government enters into a contract, it reserves a prerogative that traditionally has been associated with the female of our species — the right to change its mind. In other words, the government has the unilateral right to terminate any and all contracts for its convenience. This is not usually as great a liability as it seems, because normally you do not encounter wholesale terminations of aircraft contracts unless there is some major shift in national policy, as at the end of World War II. At that time, however, merely as an illustration of how severe these things can be, our company had a backlog of 8,000 planes and was producing at a rate of 800 planes per month just before the war ended in August, 1945. Within 24 hours of the Japanese surrender, for than 90% of our business had been canceled, and when the dust settled three months later we had a backlog of only 24 planes.

Another aspect of the uncertainties associated with government procurement has been the past tendency of the defense program to fluctuate upward and downward with each change in the international situation. This has resulted in some very clostly and unfortunate stops and starts in aircraft programs. In recent years, however, there has been a growing recognition on the part of everyone concerned that it is cheaper in the long run to plan the aircraft procurement program on a long-range basis to achieve maximum stability within the industry and a military attitude of constant readiness. The present thinking seems to be that we must have substantial modern air forces in being at any and all times in the foreseeable future. Normal replacements to offset obsolescence and other losses for a force of the size contemplated will require a level of production that will insure a substantial aircraft industry capable of expansion. Therefore, I believe that the outlook for the industry is relatively good for the foreseeable future, although certainly the present volume will be diminished to some degree when the desired force build-up has been achieved.

In outlining these characteristics of the aircraft industry that should be considered by investors, I have touched on the aspect of technical progress from a number of different angles. I want to say a little more about this fundamental aspect of the aircraft business before proceeding to a discussion of my own company.

As I have pointed out, the aircraft manufacturing industry in the relatively brief span of its existence has derived most of its business from military aviation requirements. This fact has had a great deal to do with our rate of technical progress because, as you know, there is one principal object in war, and that is to win. Throughout the history of aviation the industry has been under constant pressure to produce the most effective air weapons that science and industry were capable of.

How rapid the progress has been can be partially illustrated by the exploits of a famous woman flyer whose name I am sure is well known to everyone. In 1938, Jacqueline Cochran won the cross-country Bendix Trophy Race at a speed of 250 m.p.h. Ten years later, she flew the same race at a speed of 443 m.p.h., but only placed third in the race. Last year, Miss Cochran flew an F-86 Sabre Jet over a 15-kilometer course at a speed of 675 m.p.h.

The struggle for higher performance in the air made slow but sure progress during the early years of aviation and down through World War II. The basic limitation in that entire period was the amount of propulsive thrust that we could get from available engine and propeller combinations. The aircraft piston engine was refined and developed constantly from the Wright Brothers' first engine down to the powerful, compact, and highly reliable engines that power the airliners flying today.

Then, toward the end of World War II, the revolutionary new development in aircraft propulsion which we know as the jet engine became available. For the first time in history, aircraft designers had the promise of virtually unlimited power. During the first 40 years of aeronautical development, piston engine design had progressed to about 2 000 h.p. Today we are flying turbojet engines having the equivalent of 30,000 h.p. at their best speed, representing a 15-fold increase in 10 years. If we learn how to use more power than this, there is the ramjet engine available to us, and beyond the ramjet there is the whole family of rocket engines.

The story of the problems we have encountered in trying to use this new unlimited power and achieve the fantastic performances that are now commonplace is too involved for me to recount in detail. At the top of the list has been aerodynamic drag. Then there have been the problems of stability and control. The work on each of these problems makes a dramatic story of scientific progress that has pushed back the limits of the unknown, because mankind had never before had occasion to explore the phenomena of high-speed flight. But this is only the beginning of the list of problems that had to be solved. New structural forms have had to be developed to carry the tremendous air loads experienced at high speeds. The science of internal aerodynamics has literally grown up overnight to handle the serious business of ducting large volumes of air through a turbojet engine. In order to control these high speed vehicles and enable the pilot to perform the necessary military missions we have had to give him scores of electronic devices that evaluate data and respond in a split second.

For example, in one of our current interceptors, there are nearly 600 electronic tubes, as compar with perhaps 20 tubes in yo home television receiver. All the and many more problems have h to be worked out in achievi supersonic flight.

The point I wish to make b these brief references to the pro lems involved in aeronautic progress is that our operations a all of our thinking in the aircra industry are strongly influenc and affected by technical consi erations. For many years o Board Chairman, J. H. Kinde berger, has had in a frame on h office wall this motto which think expresses our manageme attitude:

"It may not always be the be policy to adopt the course that best technically, but those respo sible for policy can never form right judgment without knowled of what is right technically."

New York Stock Exchang Weekly Firm Changes

The New York Stock Exchang has announced the following fir changes effective Jan. 1:

Gabriel Litt, general partner i Asiel & Co., will become a limite partner.

Kenneth C. Townson will with draw from partnership in Georg D. B. Bonbright & Co.

Henry F. Berthoud, gener partner in Dominick & Dominic will become a limited partner.

Jack J. Dreyfus, Jr., gener partner, will become both a ge eral and limited partner in Drey fus & Co.

Charles F. Bantel, general par ner in Garvin, Bantel & Co., wi become a limited partner.

Robert J. Goldman, gener partner in Goldman & Co., wi become a limited partner.

Samuel T. Hubbard and Phili F. Heintz, general partners i Goodbody & Co., will become lim ited partners.

Elliot C. R. Laidlaw, gener partner in Laidlaw & Co., will be come both a general and limite partner.

Arthur Perry, general partn in F. S. Moseley & Co. will be come a limited partner.

Roland C. Stevens, gener partner in Shearson, Hammill & Co., will become a limited part ner.

Effective Dec. 31 the followin changes will take place:

Martin LeBoutillier will retir from Delafield & Delafield.

William Needle, an officer o de Pontet & Co., Inc. will retir

Philip M. Stearns will retir from Estabrook & Co.

Gino de Moise will withdra from limited partnership in Gar vin, Bantel & Co.

Irvin Hood will retire fro limited partnership in Grimm & Co.

Ernest H. Klipstein will with draw from Kohler & Co.

Julius Rowe will retire fro Long & Meaney.

Wililam C. McKinney will with draw from F. S. Moseley & Co.

Jean H. Gallien will retire fro limited partnership in Prescott & Co.

George D. Rees will retire fro Shearson, Hammill & Co.

Allan W. Betts will withdra from G. H. Walker & Co.

H. Thurston W. Huntting wi retire from T. L. Watson & Co.

William F. Bohner will with draw from Whitcomb & Co.

George S. Cochrane will retir from limited partnership in Woo Walker & Co.

On Dec. 30 the Exchange wi consider the transfer of the mem bership of Wilbur G. Hoye to Pa W. Redfield.

Joins Fred Bartman

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.— Maxwell I. Swede has joined th staff of Fred A. Bartman, Jr., 20 South Beverly Drive. Mr. Swed was previously with Hemphil Noyes & Co. and Shields & Com pany.

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. 26	§73.6	*81.8	80.3	64.1
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 26	§1,756,000	*1,950,000	1,915,000	1,444,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 10	6,341,200	6,285,700	6,220,150	6,225,400
Crude runs to stills—daily average (bbls.)	Dec. 10	¶7,105,000	6,962,000	6,883,000	6,915,000
Gasoline output (bbls.)	Dec. 10	24,589,000	24,410,000	24,161,000	23,974,000
Kerosene output (bbls.)	Dec. 10	2,685,000	2,554,000	2,197,000	2,601,000
Distillate fuel oil output (bbls.)	Dec. 10	10,777,000	11,167,000	11,409,000	10,314,000
Residual fuel oil output (bbls.)	Dec. 10	7,880,000	7,555,000	7,850,000	8,100,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 10	150,653,000	151,378,000	147,896,000	150,394,000
Kerosene (bbls.) at	Dec. 10	34,210,000	35,430,000	36,775,000	33,363,000
Distillate fuel oil (bbls.) at	Dec. 10	124,067,000	131,432,000	136,159,000	126,452,000
Residual fuel oil (bbls.) at	Dec. 10	52,803,000	54,355,000	56,068,000	50,455,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 11	653,531	661,797	708,757	651,951
Revenue freight received from connections (no. of cars)	Dec. 11	605,204	570,503	616,777	609,125
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 16	$271,757,000	$258,341,000	$301,779,000	$181,655,000
Private construction	Dec. 16	143,677,000	156,326,000	182,534,000	107,899,000
Public construction	Dec. 16	128,080,000	102,015,000	119,245,000	73,756,000
State and municipal	Dec. 16	105,509,000	83,627,000	78,547,000	67,071,000
Federal	Dec. 16	22,571,000	18,388,000	40,698,000	6,685,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 11	8,780,000	8,500,000	8,765,000	8,603,000
Pennsylvania anthracite (tons)	Dec. 11	631,000	610,000	624,000	530,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 11	223	*192	130	216
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 18	‡9,909,000	9,846,000	9,317,000	8,896,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 16	208	223	208	210
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 14	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Dec. 14	$56.59	$56.59	$56.50	$56.59
Scrap steel (per gross ton)	Dec. 14	$32.00	$32.17	$33.83	$30.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 15	29.700c	29.700c	29.700c	29.675c
Export refinery at	Dec. 15	31.050c	30.475c	33.375c	29.600c
Straits tin (New York) at	Dec. 15	89.250c	90.000c	91.375c	86.000c
Lead (New York) at	Dec. 15	15.000c	15.000c	15.000c	13.500c
Lead (St. Louis) at	Dec. 15	14.800c	14.800c	14.800c	13.300c
Zinc (East St. Louis) at	Dec. 15	11.500c	11.500c	11.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 21	98.73	98.88	99.56	96.09
Average corporate	Dec. 21	110.52	110.70	110.88	106.21
Aaa	Dec. 21	114.85	115.04	115.43	111.07
Aa	Dec. 21	112.37	112.37	112.56	108.16
A	Dec. 21	110.52	110.70	110.70	105.86
Baa	Dec. 21	105.00	105.00	105.00	100.32
Railroad Group	Dec. 21	108.70	108.88	109.06	103.80
Public Utilities Group	Dec. 21	111.25	111.25	111.25	106.56
Industrials Group	Dec. 21	111.81	112.00	112.00	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 21	2.59	2.58	2.53	2.77
Average corporate	Dec. 21	3.14	3.13	3.12	3.38
Aaa	Dec. 21	2.91	2.90	2.88	3.11
Aa	Dec. 21	3.04	3.04	3.03	3.27
A	Dec. 21	3.14	3.13	3.13	3.40
Baa	Dec. 21	3.45	3.45	3.45	3.73
Railroad Group	Dec. 21	3.24	3.23	3.22	3.52
Public Utilities Group	Dec. 21	3.10	3.10	3.10	3.36
Industrials Group	Dec. 21	3.07	3.06	3.06	3.27
MOODY'S COMMODITY INDEX	Dec. 21	410.2	403.5	411.3	411.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 11	262,344	297,807	247,513	212,109
Production (tons)	Dec. 11	258,595	246,190	258,396	246,855
Percentage of activity	Dec. 11	94	87	94	94
Unfilled orders (tons) at end of period	Dec. 11	398,913	392,807	433,268	402,833
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 17	106.79	106.73	106.48	107.48
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	Dec. 4	1,334,197	1,103,947	977,420	766,716
Dollar value	Dec. 4	$65,032,021	$53,497,006	$47,336,781	$33,504,920
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Dec. 4	1,491,362	1,183,537	918,562	813,387
Customers' short sales	Dec. 4	9,770	7,271	10,158	5,249
Customers' other sales	Dec. 4	1,481,592	1,176,266	908,404	808,138
Dollar value	Dec. 4	$67,413,481	$53,152,371	$41,411,831	$30,706,080
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 4	512,870	371,070	255,970	287,390
Short sales	Dec. 4				
Other sales	Dec. 4	512,870	371,070	255,970	287,390
Round-lot purchases by dealers—					
Number of shares	Dec. 4	361,420	259,970	361,530	241,010
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. 27	502,940	721,320	413,370	268,230
Other sales	Nov. 27	13,825,700	16,859,580	10,460,430	6,140,050
Total sales	Nov. 27	14,328,640	17,580,900	10,873,800	6,408,280
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 27	1,579,430	2,038,080	1,181,360	632,900
Short sales	Nov. 27	295,180	419,100	207,320	116,330
Other sales	Nov. 27	1,296,200	1,570,610	990,600	464,670
Total sales	Nov. 27	1,591,380	1,989,710	1,197,920	581,000
Other transactions initiated on the floor—					
Total purchases	Nov. 27	465,700	613,000	343,010	178,990
Short sales	Nov. 27	25,420	32,330	31,400	7,000
Other sales	Nov. 27	409,010	601,210	323,690	120,910
Total sales	Nov. 27	434,430	633,540	355,090	133,910
Other transactions initiated off the floor—					
Total purchases	Nov. 27	523,434	715,300	484,020	237,200
Short sales	Nov. 27	73,420	92,520	53,970	31,270
Other sales	Nov. 27	558,390	717,234	424,355	202,783
Total sales	Nov. 27	631,810	809,754	478,325	234,053
Total round-lot transactions for account of members—					
Total purchases	Nov. 27	2,578,564	3,366,380	2,008,390	1,049,090
Short sales	Nov. 27	394,020	543,950	292,690	154,600
Other sales	Nov. 27	2,263,600	2,889,054	1,738,645	794,363
Total sales	Nov. 27	2,657,620	3,433,004	2,031,335	948,963
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 14	109.4	*109.4	109.7	110.1
Farm products	Dec. 14	90.2	*90.9	93.0	94.7
Processed foods	Dec. 14	103.4	103.4	103.8	104.9
Meats	Dec. 14	84.9	84.7	85.9	88.2
All commodities other than farm and foods	Dec. 14	114.7	*114.7	114.5	114.4

*Revised figure. ¶Includes 702,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of October	125,089	120,332	108,219
Stocks of aluminum (short tons) end of Oct.	35,740	48,872	21,790
AMERICAN GAS ASSOCIATION—For month of October:			
Total gas (M therms)	4,510,777	3,886,232	4,295,900
Natural gas sales (M therms)	4,303,880	3,704,996	4,087,300
Manufactured gas sales (M therms)	34,115	30,026	42,800
Mixed gas sales (M therms)	172,782	151,210	165,800
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of November	8,074,000	*7,701,533	8,690,052
Shipments of steel products (net tons)—Month of October	5,035,364	5,004,222	6,726,850
AMERICAN PETROLEUM INSTITUTE—Month of Sept.:			
Total domestic production (barrels of 42 gallons each)	204,855,000	211,150,000	216,971,000
Domestic crude oil output (barrels)	184,527,000	191,190,000	196,717,000
Natural gasoline output (barrels)	20,276,000	19,914,000	20,216,000
Benzol output (barrels)	52,000	46,000	38,000
Crude oil imports (barrels)	20,168,000	20,589,000	20,757,000
Refined products imports (barrels)	9,791,000	9,364,000	9,642,000
Indicated consumption domestic and export (barrels)	233,860,000	233,395,000	237,196,000
Increase all stock (barrels)	954,000	7,708,000	10,174,000
COAL OUTPUT (BUREAU OF MINES)—Month of November:			
Bituminous coal and lignite (net tons)	36,750,000	36,110,000	35,465,000
Pennsylvania anthracite (net tons)	2,520,000	*2,181,000	2,386,000
COKE (BUREAU OF MINES)—Month of Oct.:			
Production (net tons)	5,083,271	*4,490,603	6,754,000
Oven coke (net tons)	5,054,303	*4,455,557	6,210,500
Beehive coke (net tons)	28,968	*35,046	363,500
Oven coke stock at end of month (net tons)	2,851,931	*2,916,787	2,509,656
COPPER INSTITUTE — For month of Nov.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	99,746	*78,467	85,724
Refined (tons of 2,00 pounds)	118,949	92,258	119,230
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	122,908	105,293	100,908
Refined copper stocks at end of period (tons of 2,000 pounds)	36,215	32,515	92,274
COTTON GINNING (DEPT. OF COMMERCE)— To Dec. 1 (running bales)	12,438,584	------	14,279,388
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Dec. 1: Production 500-lb. gross bales	13,569,000	13,206,000	16,465,000
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average—100)—Month of November:			
Adjusted for seasonal variations	114	*113	113
Without seasonal adjustment	138	*118	136
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of October:			
All manufacturing (production workers)	12,631,000	12,612,000	13,852,000
Durable goods	7,119,000	7,020,000	8,088,000
Non-durable goods	5,512,000	5,592,000	5,764,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	102.1	102.0	112.0
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	139.3	133.4	152.6
Estimated number of employees in manufacturing industries—			
All manufacturing	16,036,000	16,019,000	17,301,000
Durable goods	9,051,000	8,956,000	10,072,000
Non-durable goods	6,985,000	7,063,000	7,229,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of November:			
Weekly Earnings—			
All manufacturing	$72.98	$72.22	$71.60
Durable goods	78.36	77.97	76.73
Non-durable goods	65.80	65.07	63.73
Hours—			
All manufacturing	40.1	39.9	40.0
Durable goods	40.6	40.4	40.6
Non-durable goods	39.4	39.2	39.1
Hourly Earnings—			
All manufacturing	$1.82	$1.81	$1.79
Durable goods	1.93	1.93	1.89
Non-durable goods	1.67	1.66	1.63
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of November:			
Gas water heater shipments (units)	185,200	210,800	155,000
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Nov.:			
Seasonally adjusted	129	126	129
Unadjusted	130	130	130
INTERSTATE COMMERCE COMMISSION— Index of Railway Employment at middle of November (1935-39 Average=100)	100.6	100.0	115.4
METAL OUTPUT (BUREAU OF MINES)—Month of October:			
Mine production of recoverable metals in the United States and Alaska:			
Gold (in fine ounces)	164,997	*173,004	189,097
Silver (in fine ounces)	2,679,725	*2,822,626	3,143,018
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Nov.	£52,656,000	£18,426,000	£10,322,000
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of October:			
Total operating revenues	$804,392,236	$781,618,934	$934,303,702
Total operating expenses	611,779,702	607,387,793	693,896,298
Operating ratio	76.05	77.71	74.27
Taxes	81,916,541	74,154,255	112,698,177
Net railway operating income before charges	90,875,194	80,204,309	107,331,352
Net income after charges (estimated)	76,000,000	58,000,000	88,000,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of November:			
Net sales	------	------	$1,052,500
Net purchases	$14,238,500	$21,050,400	------
ZINC OXIDE (BUREAU OF MINES)—Month of October:			
Production (short tons)	12,087	12,045	16,901
Shipments (short tons)	11,654	12,454	14,662
Stocks at end of month (short tons)	14,887	14,454	26,734

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High Cost Of Easy Credit

ease credit further in order to maintain this very high level of activity in the construction field and the other industries which it supports. There is an old adage that defines a conservative as one who skeptically watches increases until he is convinced that they have become permanent, and then rushes in at the peak of activity to join the movement. It is said that that type of conservative is the one who takes the losses. During the past two years, we have seen many new lenders entering the field; but all of these are certainly not skeptical conservatives of the adage. Many are bankers who have felt the obligation to serve their community and have seen the profitable opportunities in a sound mortgage lending program. There seems to be a greater-than-usual risk attached to the market today as compared to, let us say, five years ago, when we had a serious shortage of housing and were building for a well established need. Nevertheless, there are many opportunities to enter mortgage lending even today if done on the proper basis of economic soundness of the loan, which must necessarily be one that is proper for the lender and, of equal importance, within the financial capacity of the borrower. Thus, we are called upon to use our very best judgment in establishing our loan policies for today.

But to be able to be active in mortgage lending, a bank must have savings to provide funds for long-term investments. I think every bank should not only accept, but should actively encourage and solicit savings accounts. During the depression, thrift became unpopular; and the country devoted itself to a program of spending our way to prosperity. However, we should be thankful this concept has changed and thrift is assuming its proper place in the lives of our citizens. People normally look to their bank for leadership in all financial matters. This should also be particularly true in the matter of savings.

The Encouragement of Thrift

A great deal of progress has been made in this field during the past few years. In 1941, there were approximately 4,000 commercial banks which would not take savings accounts, even without the payment of any interest whatsoever. This list has now been cut to about 1,600, but this did not just happen. It is the result of long and tireless effort by the ABA, and by many bankers who know the importance of this field. There are many other types of institutions who know the value of this business and are actively and strenuously attempting to attract the savings dollar of the public. If we are not just as active as our competitors, and if we do not tell the story of the many advantages of saving with your bank, we may lose this very important and profitable part of banking by default.

There are many ways that we can encourage thrift and build substantial savings account business. Probably the most important one is through the present customers in other departments. The bank's staff should be carefully indoctrinated as to the importance of savings, and be alert to the opportunities to suggest it to the bank's present customers and members of their families and their employees. A proper advertising effort will tell the possibilities and advantages of savings. It may suggest savings for specific purposes, such as for the down-payment on a new home, for college education of the children, for a vacation trip, or any of the countless other things which most people would like to have. The bank's advertising program may be based on a program of "Know Your Bank" and the wide variety of services it offers, and in this could explain the advantages of regular and methodical savings. Some banks have sponsored very successful discussion forums, covering many phases of banking, and included one meeting for savings and another for real estate loans. Many have been very successful in school savings programs, and have won thousands of friends and customers for their bank as the children grow into adults and branch into other fields of banking. This use of other facilities of a bank by savings depositors is in no way limited to children growing into adults. Many a person who started his dealings with a bank through a modest savings account soon learns of the many other benefits possible through his bank. More often than not, he opens a checking account, and sooner or later becomes a borrower, either for a loan to obtain a home or for one to buy an automobile, or for many other things for which credit is needed and is proper. Many a fine trust has come from those who began only with a savings account. They become an enthusiastic part of your bank and send their friends to you.

The ABA Savings and Mortgage Division has developed many pamphlets suggesting programs and operations in this field. I urge you to take one home and pass it on to the proper man in your organization. Many of you will be richly rewarded by new opportunities they present.

The Importance of Savings Deposits

Savings deposits are a steadying influence in a bank's flow of funds. They are much less volatile than commercial deposits, and less subject to frequent and heavy withdrawals. They provide the base of funds from which a proper amount of longer term and higher yield investments can be made. It is in this field that a bank can establish a program of mortgage lending, which will not only be profitable to the bank, but will at the same time perform a very useful and beneficial service to the community. The granting of proper credit to a customer helps him become a stronger and more solid citizen. This in turn makes the community stronger and more stable, and thus each community helps build greater financial strength into our nation's future.

It is not necessary to think of mortgage lending in the terms of tract loans for hundreds of houses at a time, which will later be sold to some other investor. There are many other ways to conduct a profitable mortgage loan program and serve the public in your own community. Too many have forgotten John Citizen who may be your customer and just wants a home for his family. We have consistently suggested to both FHA and the Veterans Administration that more consideration should be given to this individual home buyer in their rules and regulations. It is to him that the average bank can be of real help.

This is the backbone of American banking. It is the community bank serving the community citizen. True, the housing supply can be satisfied quicker by mammoth tract deals which so often involve intricate and expensive methods of financing. But the pressure to build at an extremely high rate is not such as existed just after the war. Census figures show that we have more housing per capita now than ever before. We still want to satisfy the desire of every family that wants a home just as soon as it can do so on a proper basis without undue risk to itself or the lender, and without paying too great a premium for extremely liberal credit terms.

The Voluntary Home Mortgage Credit Program

There is a new program being initiated to provide financing for those in the small and remote communities and for the minority groups. It is called the Voluntary Home Mortgage Credit Program. It is a cooperative effort by banks, life insurance companies, savings and loans associations, mortgage bankers, builders, and realtors. Its objective is to assist those who have never had an opportunity to obtain reasonable credit to acquire a home. It is a purely voluntary movement, and support has been pledged by all segments of the industry.

There has been some confusion as to its objective. It is in no sense an effort to manufacture credit or to increase the overall supply of credit. It is not to supply credit during periods of temporary shortage. Neither is it an effort to encourage any lender to make a loan on terms which he feels are not sound. It is not to act as a brokerage service for the selling of loans. It is solely for the purpose of organizing the forces of private industry to provide sound credit in areas which have not had it before. Lenders throughout the nation are being asked to state their willingness to support the program, to indicate areas in which they will participate, and the type of loans they will consider. Larger banks may play a large part in assisting the smaller banks in setting up the mechanics of making the loans. In other instances, the larger bank may wish to participate with the smaller neighborhood bank in the actual granting of the credit. In some instances, the larger bank may purchase the loans, with an understanding or agreement with the neighborhood bank as to the servicing of the loans. The life insurance companies have pledged a percentage of their lending power to assist in supplying the credit needed in these fields. Mortgage bankers have pledged the cooperation necessary to implement the lending by life insurance companies. Builders and realtors have pledged to do their part to help those who have been denied an opportunity to own a home because of the lack of sound and proper credit.

I think every bank should carefully study this program, and I think then every one will be convinced that it merits his support. It is an effort to provide private sources of financing and make completely unnecessary direct government lending or such operations as were conducted by the Federal National Mortgage Association in the past. Government has said very plainly that responsibility now rests squarely on private enterprise. Should needs not be met, there is strong intimation that government will resort to direct lending and renewal of an active loan purchase program by the Federal National Mortgage Association.

We have another new tool provided by the Housing Act of 1954, which is the provision for additional advances on FHA loans, or the so-called "open-end mortgage." This is not a new program but rather one that has been in use many years which has been given a new name and now is authorized in the FHA program. It should be used for the purpose intended for it, and that is to help some who need to increase the size of their home or to provide major remodeling. The FHA law requires that the use of the funds shall be strictly for purposes which "will substantially protect or improve the basic livability or utility of the property." It is not designed as a substitute for consumer credit, but should be used only for major improvements that will increase the value of the security. It should meet the basic requirements of all credit which are: is it good for the borrower and is it economically sound. I would suggest that someone in your bank read the article on this subject in the November issue of the magazine "Banking," which describes the opportunities, the legal requirements, and the hazards of the program, and points out how the ABA Committee on Real Estate Mortgages believes that it can be used successfully.

I believe the problem today in regard to mortgage lending is quite simple, but it is rather awe-inspiring when one thinks of the consequences of poor judgment. Certainly we must not be prophets of doom and refuse credit to good people whose success is one of the greatest forces in developing our community. We must realize the need of many for credit to acquire a home, and we should help them when the transaction is sound. We must realize that to conduct a successful mortgage lending program, we must encourage and develop a savings habit in our citizens. We must encourage them to come to their bank where all services can be provided.

We must know the importance of the housing industry and not disappoint it by lack of support, nor should we add to its problems of the future by improper support without regard to long-term economic soundness.

With all this, we must remember that we are bankers. It is a name to be proud of and should be given the respect it deserves. Let us not be money changers or commercial agents, but let us be the real force in our community to which our citizens can turn with all of their financial problems. Let us be the banker who thinks first of the welfare of his borrower. This is not all altruism, for such a bank will prosper and weather many storms that might cause great damage to others. Such a bank will grow, and its community will grow steadily and on a solid foundation.

High Level of Mortgage Credit

Mortgage credit is at an all-time high. This may or may not mean a turning point. But it does mean that we must give it the most careful consideration that can be provided by the best minds in the country.

We are all certain of the ultimate successful destiny of our country, but some think we have only clear sailing ahead and that all storms have passed. I hope they are right. If I were to build a boat, I would always provide life preservers, hoping that I never would need them; but the time might come when they would save most of my passengers and they might save me if there should be a storm that I couldn't see when I began my voyage. In this same line of thinking, let us not stop the regular boat trips in mortgage lending. We might well consider discontinuing some of the fancy excursion boats, and right now we shouldn't overload any of them. Then I know we wouldn't have to call out the rescue squad at the first squall that might blow up in the night.

Banks have a tremendous challenge in the mortgage lending field today. I am sure that good thinking will help us meet that challenge. At the National Convention in Atlantic City, our President, Homer Livingston, said that now is the time for an aggressive and militant leadership. He urged us to be vocal in promoting soundness in banking today. I think this is wonderful advice, and I think it is particularly applicable to mortgage lending. We must have the courage to refuse improper credit, even though others might be willing to grant it. But we have a great obligation to our citizens. We must be a well rounded organization, properly equipped and anxious to serve the proper needs of our people. It is only in this way that we can give the greatest service to our community and help develop our nation to a constantly higher standard of living, based upon economic soundness and well-being that will be long and enduring.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. on Dec. 22 headed a group offering $8,700,000 of Illinois Central RR. Co. 2⅝% equipment trust certificates, series 40, maturing semi-annually July 1, 1955 to Jan. 1, 1970, inclusive.

The certificates are offered at prices scaled to yield from 1.30% to 2.85%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost $11,707,780: 70-1,750 H. P. Diesel-electric road switching locomotives.

Other members of the offering group are: Baxter, Williams & Co.; The Illinois Co.; McMaster Hutchinson & Co. and F. S. Yantis & Co., Inc.

S. F. Stock Exchange Nominees for Office

SAN FRANCISCO, Calif. — Edwin D. Berl, Chairman of the Nominating Committee of the San Francisco Stock Exchange, has announced that his Committee had reported to the membership the names to be placed before them at the annual meeting of the exchange of Jan. 12, 1955. These nominees are as follows:

Chairman of the Board: William H. Agnew, general partner, Shuman, Agnew & Co.

Governors for two-year term: George W. Davis, general partner, Davis, Skaggs & Co., and Warren H. Berl, general partner, Edwin D. Berl & Sons.

Mr. Agnew's election to the Chairmanship would create a vacancy on the board since his term as Governor has one more year to run. The incoming board would appoint a Governor for this unexpired term.

Robert J. Levy Admits

On Jan. 1 Edna E. Buettner will be admitted to partnership in Robert J. Levy & Co., 44 Wall Street, New York City, members of the New York Stock Exchange.

Elected Directors

Joseph P. Condon has been elected a director of the Walworth Company, leading manufacturers of valves and fittings. Mr. Condon, a partner in the Chicago investment firm of McDougal and Condon, fills a vacancy on the Walworth board resulting from the recent resignation of Robert C. Sharp.

Hayden, Stone To Admit

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Abijah U. Fox and James T. Loree to limited partnership.

Robert B. Stearns

Robert B. Stearns, partner in Bear, Stearns & Co., passed away Dec. 14, at the age of 66.

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.

★ **Aluminium Ltd. (1/10)**
Dec. 16 filed a maximum of 921,923 shares of capital stock (no par) to be offered for subscription by stockholders of record Jan. 7, 1955 at rate of one new share for each 10 shares held; rights to expire on Jan. 31. **Price**—Not to exceed $46 (Canadian) per share. **Proceeds**—For Expansion program. **Dealer-Managers**—The First Boston Corp.; A. E. Ames & Co., Ltd.; Morgan Stanley & Co.; and White, Weld & Co.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

American 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-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 Mutual Fund, Inc.**
Dec. 22 filed (by amendment) 1,000,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

● **American Steel & Pump Corp., N. Y.**
Nov. 24 filed $3,000,000 of 4% income bonds, series A, due Dec. 1, 1994. **Price**—$618.75 per $1,000 bond. **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. K. Benkert & Co., Inc., New York. **Offering**—Expected today (Dec. 23).

★ **American Trusteed Funds, Inc.**
Dec. 16 filed (amendment) 50,000 shares of Lexington Trust Fund shares. **Price**—At market. **Proceeds**—For investment.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

Ampal-American Israel Corp., New York
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

● **Ampex Corp., Redwood City, Calif. (12/28)**
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.

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.

★ **Arizona Development Co., Phoenix, Ariz.**
Dec. (letter of notification) 300,000 shares of common stock, series A, to be offered for subscription by holders of life insurance policies of Arizona Life Insurance Co. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Office** — 427 Security Bldg., Phoenix, Ariz. **Underwriter**—Arizona Life Insurance Co.

★ **Arizona Golconda Metals, Inc., Kingman, Ariz.**
Dec. 7 (letter of notification) 292,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Baruch Brothers & Co., Inc., 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.

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 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.

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.

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**—Manufac-

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NEW ISSUE CALENDAR

December 27 (Monday)
California Modular Homes, Inc. ---------- **Common**
(United Capital Corp.) $196,000
West Virginia Water Service Co. ---------- **Preferred**
(H. M. Payson & Co.) $84,000

December 28 (Tuesday)
Ampex Corp. ---------- **Debentures**
(Blyth & Co., Inc. and Irving Lundborg & Co.) $1,500,000
Elco Corp. ---------- **Common**
(S. D. Fuller & Co. and J. B. Boucher & Co.) $299,000

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
Circle Air Industries, Inc. ---------- **Common**
(Allen E. Beers Co.) $299,000

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
Southern Pacific Co. ---------- **Equip. Trust Ctfs.**
(Bids noon EST) $8,910,000

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
Pennsylvania RR ---------- **Equip. Trust Ctfs.**
(Bids noon EST) $6,810,000

January 10 (Monday)
Aluminium, Ltd. ---------- **Common**
(The First Boston Corp.; A. E. Ames & Co., Ltd.; Morgan Stanley & Co.; and White, Weld & Co.) 921,923 shares
Bowl-Mor Co., Inc. ---------- **Preferred & Common**
(Aetna Securities Corp.) $1,100,000
Consolidated Diesel Electric Corp. ---------- **Common**
(Van Alstyne, Noel & Co.) $1,400,000
Duke Power Co. ---------- **Bonds**
(Bids noon EST) $40,000,000
Seven-Up Bottling Co. of Los Angeles ---------- **Common**
(Quincy Cass Associates) $642,428

January 11 (Tuesday)
Commonwealth Edison Co. ---------- **Bonds**
(Bids 10:30 a.m. EST) $50,000,000
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
General Homes, Inc. ---------- **Common**
(S. D. Fuller & Co.) $1,500,000
Public Service Electric & Gas Co. ---------- **Preferred**
(Morgan Stanley & Co.; Drexel & Co.; and Glore Forgan & Co.) $25,000,000

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
Northern Pacific Ry. ---------- **Equip. Trust Ctfs.**
(Bids noon EST) $3,960,000

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
Rockland-Atlas National Bank ---------- **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) 37,500 shares

February 14 (Monday)
Dallas Power & Light Co. ---------- **Debentures**
(Bids 11 a.m. EST) $7,000,000
Sheraton Corp. of America ---------- **Debentures**
(Paine, Webber, Jackson & Curtis) $5,000,000

February 15 (Tuesday)
Kansas City Power & Light Co. ---------- **Bonds**
(Bids to be invited) $16,000,000

February 23 (Wednesday)
Texas Electric Service Co. ---------- **Bonds**
(Bids 11:30 a.m. EST) $17,000,000

April 15 (Friday)
Westpan Hydrocarbon Co. ---------- **Common**
(May be Union Securities Corp.) 384,861 shares

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tures and distributes by lease and sale, a bowling-pin setting machine. **Underwriter**—Aetna Securities Corp., New York.

★ Burke-Martin Mines, Inc., Denver, Colo.
Dec. 15 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Suite 1411, 901 Sherman St., Denver, Colo. **Underwriter**—None.

• California Modular Homes, Inc. (12/27)
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.

★ Canadian Petrofina, Ltd.
Dec. 20 filed 1,751,428 shares of non-cumulative participating preferred stock (par $10—Canadian) to be offered in exchange for shares of capital stock of Calvan Consolidated Oil & Gas Co., Ltd. at the rate of six preferred shares for each 17 Calvan shares. The offer is contingent to acceptance by not less than 51% of the outstanding Calvan stock.

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.

Cascade Natural Gas Corp., Seattle, Wash.
Oct. 27 (letter of notification) 23,625 shares of common stock (par $1) to be offered for subscription by stockholders on a 1-for-10 basis. **Price** — $6 per share. **Proceeds**—To repay bank loans and promissory notes. **Office**—Securities Bldg., Seattle, Wash. **Underwriters**—Blanchett, Hinton & Jones, Seattle, Wash., and First California Co., Los Angeles, Calif.

Central Airlines, Inc., Fort Worth, Tex.
Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—To purchase additional aircraft and equipment, setting up new stations, etc. **Office**—Meacham Field, Fort Worth, Tex. **Underwriter**—None.

★ Century Controls Corp.
Dec. 17 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital. **Business** — Accessory control systems and components for aircraft interest, etc. **Office**—Allen Boulevard, Farmingdale, L. I., N. Y. **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. (1/3)
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.

★ Colonial Acceptance Corp.
Dec. 20 filed $2,500,000 of 6% junior subordinated sinking fund debentures, series B, due Dec. 1, 1968, of which $1,529,550 principal amount will be offered in exchange for $1,390,500 of debentures due 1958 on the basis of $550 of new debentures for each $500 of debentures held. **Price**—At par. **Proceeds**—To retire junior subordinated sinking fund debentures which mature Dec. 1, 1958. **Underwriters**—Straus, Blosser & McDowell and Fairman, Harris & Co., Inc., both of Chicago, Ill.

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.

★ Commonwealth Edison Co. (1/11)
Dec. 16 filed $50,000,000 of sinking fund debentures due Oct. 1, 2004. **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**—To be received at office of company, 72 West Adams Street, Chicago 90, Ill., on or before 10:30 a.m. (EST) on Jan. 11.

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.

★ Consolidated Diesel Electric Corp. (1/10)
Dec. 20 filed 350,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—To selling stockholders. **Business**—Designs, engineers and produces specialized lines of aircraft servicing and testing equipment and electrical generating equipment. **Office**—Stamford, Conn. **Underwriter** — Van Alstyne, Noel & Co., New York.

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.

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 to be received up to noon (EST) on Jan. 10.

★ Duquesne Light Co. (1/17)
Dec. 21 filed 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. 21 filed 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.

★ E-I Mutual Association
Dec. 16 (letter of notification) 1,206 shares of Class B special stock to be offered to employees of Thomas A. Edison, Inc. **Price**—$10 per share. **Proceeds**—To be held in a redemption fund. **Office**—180 Main St., West Orange, N. J. **Underwriter**—None.

★ Elco Corp., Philadelphia, Pa. (12/28)
Dec. 14 (letter of notification) 149,500 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For machinery and equipment and working capital. **Office**—M St. and Erie Ave., Philadelphia, Pa. **Underwriters**—S. D. Fuller & Co. and J. B. Boucher & Co., both of New York.

★ Electronics Investment Corp., San Diego, Calif.
Dec. 14 filed 2,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—For investment.

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.

★ Food Mart, Inc., El Paso, Tex.
Dec. 21 filed 180,000 shares of common stock (par $2), of which 50,000 shares are to be offered by company and 130,000 shares by selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to redeem subordinated income debentures and to purchase capital stock of Del Norte Frozen Foods, Inc. **Underwriter**—Shearson, Hammill & Co., New York.

Foster Publications, Inc. (N. Y.)
Oct. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Business**—Publishes "Guide for Sport Fisherman." **Office**—165 Broadway, New York. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 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 Homes, Inc., Huntington Station, L. I., N. Y. (1/12)
Dec. 15 filed 300,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For plant expansion, new equipment, inventory and working capital. **Underwriter**—S. D. Fuller & Co., New York.

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 110,189 shares of 5½% cumulative preference stock (par ($100) being offered in exchange for common stock of Motor Products Corp. at rate of one preference share for each 4¼ shares of Motor Products stock. This offer, which is subject to acceptance thereof by holders of not less than 315,000 shares of Motor Products common stock will expire on Jan. 5, 1955.

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.

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.

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.

★ Hycon Mfg. Co., Pasadena, Calif.
Dec. 17 filed 120,000 shares of 5½% cumulative convertible non-participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes, including capital improvements and working capital. **Business** — Designs, develops, manufactures and sells special and general purpose electronic test equipment, etc. **Underwriter**—Townsend, Graff & Co., New York.

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.

★ Institutional Shares Ltd.
Dec. 15 filed 600,000 additional shares of Institutional Growth Fund and 400,000 additional shares of Institutional Foundation Fund.

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.

★ Investors Mutual Fund, Inc.
Dec. 22 filed 3,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

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.

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.

★ Latin American Machine Co.
Dec. 14 (letter of notification) 50,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds** — For capital expenditures and working capital. **Office** — 35 Manor Drive, Newark 6, N. J.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

Liberty Oil & Uranium Co., Denver, Colo.
Nov. 19 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 250 Equitable Bldg., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). Price—Three cents per share. Proceeds—For mining operations. Office—402 Darling Bldg., Salt Lake City, Utah. Underwriter — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

★ Life Insurance Investors, Inc., N. Y.
Dec. 17 filed 1,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A diversified management investment company. **Underwriters**—White, Weld & Co., New York, and J. C. Bradford & Co., Nashville, Tenn.

★ Life Underwriters Insurance Co., Shreveport, La.
Dec. 13 (letter of notification) 2,500 shares of common stock (par $1). **Price**—$20 per share. **Proceeds**—To selling stockholders. **Office**—3109 Alexander St., Shreveport, La. **Underwriter**—None.

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. **Offering**—Now being made.

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.

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.

★ Merritt-Chapman & Scott Corp.
Dec. 21 filed approximately 3,018,567 shares of common stock (par $12.50) to be offered in exchange for outstanding stock of New York Shipbuilding Corp., Devoe & Raynolds Co., Inc., Newport Steel Corp., Marion Power Shovel Co., Osgood Co., and Tennessee Products & Chemical Corp.

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.

★ Mineral Mining Co., Dickinson, N. D.
Dec. 13 (letter of notification) 125,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Address**—Box 949, Dickinson, N. D., and Box 735, Cody, Wyo. **Underwriter**—None.

★ Missouri Utilities Co., Cape Girardeau, Mo.
Dec. 20 filed 27,420 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—May be Edward D. Jones & Co., St. Louis, Mo., who underwrote previous common stock financing.

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.

★ Neva-Utex Uranium, Inc., Goldfield, Nev.
Dec. 14 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—312 East Creek St., Goldfield, Nev. **Underwriter**—None.

★ New Britain Gas Light Co.
Dec. 15 (letter of notification) 8,572 shares of common stock (par $25) to be offered for subscription by stock-

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holders. **Price**—$26 per share. **Proceeds**—To repay bank loans. **Office**—35 Court St., New Britain, Conn. **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: 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.

★ Northeast Investors Trust, Boston, Mass.
Dec. 17 filed 25,000 shares of beneficial interest in the trust. **Price**—At market. **Proceeds**—For investment.

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.
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. **Office**—Searsport, Me. **Underwriter**—White, Weld & Co., New York.

★ Northwest Airlines, Inc., St. Paul, Minn.
Dec. 14 (letter of notification) 17,391 shares of common stock (par $10). **Price**—$17.25 per share. **Office**—1885 University Ave., St. Paul 1, Minn. **Underwriter**—None, but Harold R. Harris, Laurel Road, New Canaan, Conn. will handle sale.

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.
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., New York
Dec. 3 (letter of notification) an undertermined number of shares of capital stock (par 10 cents) being offered for subscription by stockholders of record Dec. 16 on the basis of one new share for each 4½ shares held (with an oversubscription privilege); rights to expire on Jan. 14. **Price**—$3.75 per share. **Proceeds**—For working capital of subsidiary. **Office** — 580 Fifth Ave., New York 36, N. Y. **Underwriter**—None. **Subscription Agent**—United States Trust Co., New York.

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.

★ Public Service Electric & Gas Co. (1/12)
Dec. 22 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for construction program. **Underwriters**—Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co.

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.

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.

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.

★ Savage Industries, Inc., Phoenix, Ariz.
Dec. 10 (letter of notification) 12,600 shares of cumulative convertible preferred stock (par $1). **Price**—$20 per share. **Proceeds** — For expansion and working capital. **Underwriter** — Pacific Coast Securities Co., San Francisco, Calif.

★ Scott Paper Co., Chester, Pa.
Dec. 20 filed 10,400 memberships in the company's Employees' Stock Purchase Plan for 1955, together with 73,529 shares of common stock.

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.

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.

★ Stanley Aviation Corp.
Dec. 14 (letter of notification) 10,500 shares of common stock (par 10 cents). **Price**—$16.66 per share. **Proceeds**—For working capital. **Office**—Buffalo 25, N. Y. **Underwriter**—None.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

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.

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.

★ Terlingua Mining Corp., Forth Worth, Texas
Dec. 16 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. Underwriter—May be supplied by amendment.

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). **Pro-**

ceeds—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.

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.

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., same 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.

★ **V. O. M. Uranium, Inc. (N. M.)**
Dec. 13 (letter of notification) 40,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Underwriter**—None.

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. (12/27)**
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 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) being 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**—$8 per share. **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.

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.

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); rights to expire on Feb. 14. **Price**—$33 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

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.

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.

★ **General Telephone Co. of California**
Dec. 15 company applied to California P. U. Commission for authority to issue and sell 200,000 shares of 4½% preferred stock (par $20). **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—May be Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton.

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.

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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.

★ Montreal (City of)
Dec. 20 it was announced that sale of an issue of $35,000,000 of debentures is planned on the American market. It is tentatively proposed that conferences with investment bankers will be held in New York on or about Jan. 10.

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.

★ North Penn Gas Co.
Dec. 17 it was announced 420,000 shares of common stock (par $5) will soon be offered to public. **Price**—To be named later. **Proceeds**—To The Post Publishing Co., publisher of The Boston Post. **Underwriter**—Eastman, Dillon & Co., New York. **Registration**—Expected early in January.

★ Northeastern Steel Corp., Bridgeport, Conn.
Dec. 17 it was announced that company plans a public offering of $9,000,000 of junior securities. **Proceeds**—From sale of stock, together with funds from private placement of $6,000,000 of first mortgage bonds, will be used to finance purchase and enlargement of the plant at Bridgeport, Conn. **Underwriter**—Estabrook & Co., Boston, Mass.

★ Northern Pacific Ry. (1/18)
Bids will be received by the company up to noon (EST) on Jan. 18 for the purchase from it of $3,960,000 equipment trust certificates dated Jan. 18, 1955, and due $264,000 annually from Jan. 18, 1956 to 1970, inclusive. 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.

Penn-Texas Corp.
Oct. 18 authorized capital stock (par $10) was increased by 1,000,000 shares, of which about 220,000 shares are to be publicly offered. **Price**—From 15% to 25% below the price on the New York Stock Exchange at the time of offering. **Proceeds**—Of the approximately $3,000,000 which would be obtained, about $1,000,000 will be used for drilling, exploration and additional purchases under the corporation's uranium program; another $1,000,000 will be used to finance accounts receivable of a subsidiary and the remainder would be used to develop proven oil reserves, including an expanded drilling program. **Offering**—No definite decision yet made.

★ Pennsylvania RR. (1/6)
Bids will be received by the company in Philadelphia, Pa., up to noon (EST) on Jan. 6 for the purchase from it of $6,810,000 equipment trust certificates, series CC, to be dated Feb. 1, 1955 and to mature in 15 annual instalments of $454,000 each from Feb. 1, 1956 to 1970, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Rockland-Atlas National Bank, Boston (1/25)
Dec. 15 it was announced company plans (following 2-for-1 stock split) to offer stockholders of record Jan. 25 the right to subscribe for 37,500 additional shares of captial stock (par $10) on the basis of one new share for each 5 14/15 shares held; rights to expire on Feb. 9. **Price**—To be named later. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

● Sheraton Corp. of America (2/14-18)
Dec. 13 it was reported company may be planning sale of $5,000,000 of debentures (with warrants). **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

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.

★ Southern Pacific Co. (1/5)
Bids will be received by this company up to noon (EST) on Jan. 5 for the purchase from it of $3,910,000 equipment trust certificates series PP, due annually to 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ Texas Electric Service Co. (2/23)
Dec. 20 it was reported company plans to issue and sell $17,000,000 of first mortgage bonds due 1985. **Proceeds**—To redeem $7,000,000 3⅝% bonds and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Blyth Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on Feb. 23. **Registration**—Scheduled for Jan. 21.

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.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced that the company contemplates obtaining funds to initiate its uranium mining operations in Utah by the sale to the public of its unissued treasury stock. This financing will follow completion of the company's current drilling program.

Virginia Electric & Power Co.
Nov. 1 it was reported company may issue and sell $20,000,000 to $25,000,000 of first mortgage bonds some time next Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.

Western 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).

● Westpan Hydrocarbon Co. (4/15)
Dec. 11 it was reported Sinclair Oil Corp. will ask for bids for 384,861 shares of Westpan stock about April 15, 1955, if it has not been able to dispose of these holdings before that date. **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co.

Our Reporter's Report

The normal routine in the investment world gave way as usual this week to customary year-end festivities. Few in the underwriting business, outside those who were involved in the distribution of New York State Power Authority's huge bond offering, were paying much attention to business as such.

Rather it was a period for visiting around and wishing the neighbors well during the Holiday season and the year ahead. As one old-timer tersely put it, "this is no time for regular business," adding "that no one was particularly interested what with institutional buyers virtually wound up for the year and unwilling to disturb their balanced positions."

But the demand which greeted the Power Authority's offering of $335,000,000 in term and serial bonds was heart-warming to say the least in view of the earlier decision of the State of Connecticut to defer its projected $88,000,000 highway offering on advice of banking counsel.

While there is admittedly a little congestion around, it is not causing any real apprehension. Bankers and dealers alike are convinced that buyers will be back in the market on a more normal basis after the New Year closes out the current holiday season.

And from here it looks as though turnpike financing, much as it has done this year, is destined to contribute substantially to the volume of emissions in the year ahead.

Power Authority Offering

Demand which developed for the N. Y. State Power Authority's issues, particularly for the term bonds, due in 1995, indicated that investors in the revenue field were rather well pleased with the opportunity to take on something other than turnpike obligations.

Although the overall total of $335,000,000 was large, it was indicated that the $268,000,000 3.20s sold as term bonds had been placed quickly. This portion of the issue was reported selling at a slight premium.

Of the $67,000,000 of serials, late reports indicated that some maturities still were available.

Shelf Stocks Low

So far as the corporate field is concerned, stocks of unsold issues on dealers' shelves are relatively light as the year-end rolls around.

About the only sizable blocks remaining unsold are those of the recently offered New England Telephone & Telegraph Co., and Illinois Central Railroad Co. Both have been reported as slow moving.

Last reports indicated that less than a third of the New England Telephone 3⅛s brought out at 102.22 to yield 3.02% had been marketed thus far and about the same proportion of the Illinois Central 3½s priced at par to yield 3.50%.

Dormant Week Ahead

Unless something unforeseen develops, the final week of the year is destined to go through without a single corporate issue scheduled for market. There will, of course, be a sprinkling of tax-exempts.

But it now appears that it will be the second week of January before investors get an opportunity to look over anything in the way of new corporate fare. But that week will bring three big ones up for competitive bidding.

Duke Power Co. is slated to open bids for $40,000,000 of bonds on Jan. 10, with Commonwealth Edison Co. having $50,000,000, of debentures on tap and New York Chicago & St. Louis RR. (Nickel Plate), $38,000,000 of bonds, the following day.

Capper Sells Edgemont Min. & Uranium Shares

Capper & Co., New York City, has publicly offered and sold 3,000,000 shares of Edgemont Mining and Uranium Corp. common stock (par one cent) at 25 cents per share. These shares were offered as a speculation.

Edgemont Mining and Uranium Corp. was organized in Delaware on Oct. 14, 1954 to acquire all of the properties formerly held by Edgemont Mining Co., Inc. The company has interests in approximately 2,400 acres in Fall River and Custer Counties, S. D. Uranium ore has been produced and shipped as of Oct. 15, 1954 from six of the seven groups of mining properties in which the company has interests. These six groups are: Gould Lease, Taylor Lease, Lundberg Lease, Virginia C. Group, Pilsner Group and Crandell Group.

The net proceeds from the sale of the abovementioned shares are to be used to purchase equipment, pay for drilling of Gould Lease, Virginia C. Group and the Crandell Group; for further exploration, surveying and geological prospecting, drilling, mining and the purchase of additional claims or leases when justified.

Giving effect to the new financing, the company will have outstanding 8,404,000 shares out of a total authorized issue of 12,000,000 shares.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Dec. 9, 1954 is as follows:

Team:	Points
Mewing (Capt.), Define, Gavin, Montanye, Bradley, Huff	38½
Leone (Capt.), Nieman, O'Mara, Forbes, Greenberg, Murphy	38
Donadio (Capt.), Hunter, Fredericks, Demaye, Saijas, Kelly	35
Bean (Capt.), Meyer, Bies, Pollack, Leinhardt, Weiler	35
Manson (Capt.), Jacobs, Siegel, Topol, Frankel, Tisch	33
Barker (Capt.), Brown, Corby, Weseman, Whitby, Fitzpatrick	32½
Growney (Capt.), Alexander, Eiger, Valentine, Burian, Craig	32
Kaiser (Capt.), Hunt, Werkmeister, Kullman, McGovan, O'Connor	31
Meyer (Capt.), Murphy, Frankel, Swenson, Dawson-Smith Kuehner	28
Serlen (Capt.), Rogers, Krumholz, Wechsler, Gersten, Gold	27½
Krisam (Capt.), Clemence, Gronick, Stevenson, Weissman McCloud	19½
Klein (Capt.), Rappa, Farrell, Voccolli, Straus, Cohen	13

200 Point Club
Bob Topol 204

5 Point Club
Julie Bean

KANSAS CITY (MO.) SECURITY TRADERS ASSOCIATION

The Kansas City Security Traders Association held their Annual Winter Party, Dec. 9, at the University Club.

The following officers were installed for 1955:


Charles M. Harris


Kneeland Jones


Erwin H. Eisen


James E. Carnes

President: Charles M. Harris, Harris, Upham & Company.

Vice-President: Kneeland Jones, A. E. Weltner & Company, Inc.

Secretary: Erwin H. Eisen, Lucas, Eisen & Waeckerle, Inc.

Treasurer: James E. Carnes, Merrill, Lynch, Pierce, Fenner & Beane.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their 31st Annual Dinner at the Benjamin Franklin Hotel on Feb. 25, 1955.

BOND TRADERS CLUB OF CHICAGO

On Jan. 24, 1955 the Bond Traders Club of Chicago will hold its Annual Winter Dinner at the Furniture Club.

BOND CLUB OF DENVER

At the annual meeting of the Bond Club of Denver, held at the University Club on Dec. 7, 1954, the following officers, directors and national committeemen were unanimously elected to serve from Dec. 8, 1954 through the year 1955.


William W. Argall


Howard P. Carroll


George B. Fisher

President: William W. Argall, Boettcher & Co.

Vice-President: Howard P. Carroll, Carroll, Kirchner, & Jaquith.

Secretary: Trevor Currie, Trevor Currie Securities.

Treasurer: George B. Fisher, Bosworth, Sullivan & Co.

Directors: Garald D. Bacher, J. A. Hogle & Co.; Leon Lascor, J. K. Mullen & Co.; Herbert P. White, Coughlin & Co., and William M. B. Berger, Colorado National Bank.

National Committeemen: J. W. Hicks, J. W. Hicks & Co.; William W. Argall, Boettcher & Co.; Robert Mannix, Earl M. Scanlan & Co.; Walter Olin, Garrett Bromfield & Co.; John C. Owens (alternate), Peters, Writer, Christensen.

Securities Salesman's Corner

By JOHN DUTTON

Answering a Client's Inquiry

During the past few months I have often been called upon to give an opinion regarding some security about which I have little or no information except that contained in the published records that are available to anyone in the investment business. Most of these inquiries seem to originate as gossip, or they are the product of promotional conversation directed primarily toward motivating the purchase of a certain stock that should show a "quick turn profit" for one reason or another. When public interest in the stock market is in the ascendancy as it is today, this is more or less a natural occurrence.

What to Do With Inquiries

Obviously, when a client calls you for an opinion on any security, you are in a position to qualify the objective behind the client's interest. Let us assume that your customer is primarily interested in investment type securities and that he has always shown a preference for income and stability rather than "quick profits." One day out of the blue you receive a call from him and he asks you what you think of a speculative common stock. The only conclusion at which you can arrive is that some one has been talking with him, and has stimulated his slumbering desire for some of that "so-called" easy money that he thinks may be had, if he only buys the "right" stock.

Now you are faced with two conclusions. First, your customer is looking around, he is talking with other people, but he isn't sure that he had better kick over the traces as yet so he still is in your corner and wants your advice and guidance. Such being the case you remain in the commanding position of being able to talk straight with him. And this is the time for coming to the point.

There is the possibility that information obtained by the client may be of such a nature that to discourage the purchase of the security in which he is interested will be a mistake. If you are working in a vacuum where so-called inside information is not accessible to you for verification, there is always a chance that if you "guess," you may be wrong. On this basis it can only behoove you to admit to your customer that certain information can be verified, and in some other cases there is no way in which this can be accomplished.

The die must be cast between investment and speculation. If he wishes to make a purchase of a stock on a "quick turn" basis, tell him that you will be more than happy to execute his order. But also point out that you are on the receiving end of many such inqueries about any number of stocks that are coming to you every day. Go back to his ORIGINAL OBJECTIVES. Restate briefly that the securities he is buying from you are selected with the objective of giving him maximum protection for his capital with adequate income and growth. Suggest that you don't want him to miss any opportunities for making profits, but you also feel it is your obligation to remind him that even in the most optimistic times over half of the stories told about stocks are based upon hearsay and gossip.

Control Your Accounts

Any client that has done business with you and has placed his confidence in your recommendations, will appreciate the candor and honesty on your part which prompts you to admit that you can't possibly run down all the "sure things" that come to him from the luncheon table, the club, or some friend. He will also understand that you want him to have sound securities. not only for today but for tomorrow, if you put it before him on this basis. Tell him you want his business, you appreciate it, and if he wants to give you an order you'll be more than happy to go ahead with it, but also remind him that you are in the investment business and he is an investor. On that he must agree.

"MERRY CHRISTMAS"!

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Latest wrinkle in the long and often unhappy saga of the "Buy America" Act is a directive from President Eisenhower drastically reducing the spread by which American firms may overbid foreign competitors and still get government contracts.

The "Buy America" Act requires that U. S. suppliers be given preference in government procurement except when their bids are "unreasonable." Under a rule of thumb, most buying staffs have considered that American firms must overbid by more than 25%, and sometimes as much as 35%, before they are considered "unreasonably" above their foreign competition.

And this percentage, many firms have been complaining, wasn't enough to make up the difference between costs abroad —liberally reduced by use of American tax dollars in the form of economic and military aid—and the higher costs in this country, inflated to pay the taxes that pay for the aid.

Strong Pressure on President

The President has been under strong pressure from the State Department and other agencies to make some concrete demonstration of the Administration's free trade philosophies, to undo the "damage" done by his recent decision to hike the tariffs on imported watches.

So as a gesture to the representatives of 32 foreign countries meeting with U. S. representatives at Geneva, Switzerland, the President now says that a domestic supplier is being "unreasonable" when he asks either:

(1) More than 106% of the foreign offer, including tariffs and costs incurred after arrival in this country, or

(2) More than 10% above the foreign offer, excluding tariffs and costs.

The President did include an out to cover situations like the recent Foreign Operations Administration action in splitting a contract for 100 steam locomotives between a Japanese firm and a combine of Pennsylvania locomotive manufacturers. He ruled that a foreign bid may be rejected in a situation in which the Domestic low-bidder — no matter how much above the foreign low bidder he might be — would produce most of the materials in areas of "substantial unemployment."

Other outs under which domestic firms may overbid foreign companies and still get U. S. tax dollars in contracts, include: "other" reasons of national security; in order that a "fair proportion" of the total purchases may be placed with small business concerns, and where the product is essential to national security interests.

President Takes Control

But the President has arranged to keep most of the controls in his own hands. A procurement head cannot determine on his own where national security is involved, but only on advice from the President. Likewise, it is up to the Secretary of Labor and the President to determine where labor surpluses occur, and a procurement official desiring to place a contract with a distressed U. S. industry, must give the President notice within 30 days.

The pressures building up for increased use of American suppliers intensified during the recent fiscal dip. Sen. Thomas H. Kuchel, California Republican, recently has twice blocked awards for hydroelectric equipment from going to foreign firms. In both cases, the purchasing agency suddenly found "inconsistencies" in the low foreign bids, tossed out all bids, and thus far failed to readvertise.

President's action is taken by many observers as another indication of the extent to which free-trade elements have taken over the Administration. It is an increasingly good bet, they believe, that the new Democratic Congress, boosted by many Republicans, will have little difficulty in pushing through the "liberalized" trade-tariff program proposed by the Randall Commission — a three-year reciprocal trade act granting the President authority to cut selected tariffs by as much as 5% a year.

* * *

"Liberals" Calling the Tune

There is a rather simple key to the apparent confusion in this Capital.

It is that Dwight D. Eisenhower has gone all the way over to the "progressive" group of his advisers. He has chosen to isolate himself all but entirely from the conservative half or more of the Republican Party

After an election in which in effect he lost, the President has chosen to take the diagnosis of his "liberal" advisers. This diagnosis is that the President used the wrong political medicine when he played with the conservatives of his party even a little.

A greater political realist would have come to the opposite conclusion. Having played the "liberal" role and lost to the outspoken partisan advocates of the now "liberalism," he would have decided that trying to peddle the other fellow's merchandise wasn't a kind of business that paid. And heads such as those of Sherman Adams would have rolled.

Instead the Sherman Adamses were listened to. This is not only because they have done an excellent job of insulating the President from the receipt of conservative advice. It is also because there is tragically a lack of men of reputation and "stature" to press the conservative viewpoint upon the President, a great shortcoming which has existed since the death of Senator Bob Taft.

Mr. Eisenhower has put himself just about all the way into the Democratic economic and political ideology with his sermon on "progressive-moderates," in the opinion of most observers. Yet here is a conservative Republican Party left with no place to go, no acknowledged outstanding leader, no champion.

From the "liberal" columnists, the papers have been filled with some of the rarest of claptrap. There is talk that because Senate GOP Leader Bill Knowland voted for McCarthy, he is siding with the "McCarthy wing" of the Republican Party, or that because Senator Knowland differs from the President on anything, he should go into retirement.

One thing is sure. Senator Joe is not going to become the leader of what the "liberals" call the "conservative wing" of the Republican Party. Senator McCarthy did a wonderful job of making all the Senatorial enemies possible. His judgment has only been rated as bad as that of the President, in being goaded into making McCarthy a great enemy. If McCarthy showed little sense to most people in "repudiating" Eisenhower, the latter showed scarcely more political sense in making public congratulations of Senator Watkins after publicly professing neutrality in the censure battle.

The columnists of the left have been talking about a split in the Republican Party, as plot of McCarthy to take over, and have been implying, with what looks like inspiration from the White House, that Eisenhower wants to get rid of all conservatives.

It begins to look like he does. This country is being treated to the spectacle of a President aggressively seeking to lead a party philosophy into the camp of the opposition, and anxious to shed himself of some half of his own political forces. It may not work out to be so clear cut, but the Eisenhower disdain of Republican conservatives means vast and perplexing confusion for some months to come.

* * *

Price Control Program Lagging

Authority for the President to clamp a freeze over credit, prices, wages and rents probably won't be requested in 1955 — not because Federal mobilization planners don't want it, but because they're going to be too busy on more important matters to get involved in such a dogfight.

During the last year, the Office of Defense Mobilization's stabilization branch, headed by Boston Hotelman Glenwood J. Sherrard, has about completed a set of emergency control regulations—one for a 90-day freeze, another for a general freeze after the 90-days, and legislation to give the President standby authority to invoke a short freeze on his own initiative, or for the general freeze after Congress should convene.

Last summer, Mobilization Director Arthur S. Flemming called back the first of two men experienced in both World War II and Korean control days—Nelson H. Eddy, New York food sales executive, who became Sherrard's assistant. When Sherrard resigned to return to business this fall, he was replaced by Edward F. Phelps, Jr., another experienced controller from the days of OPS and OPA.

Back to OPS and OPA?

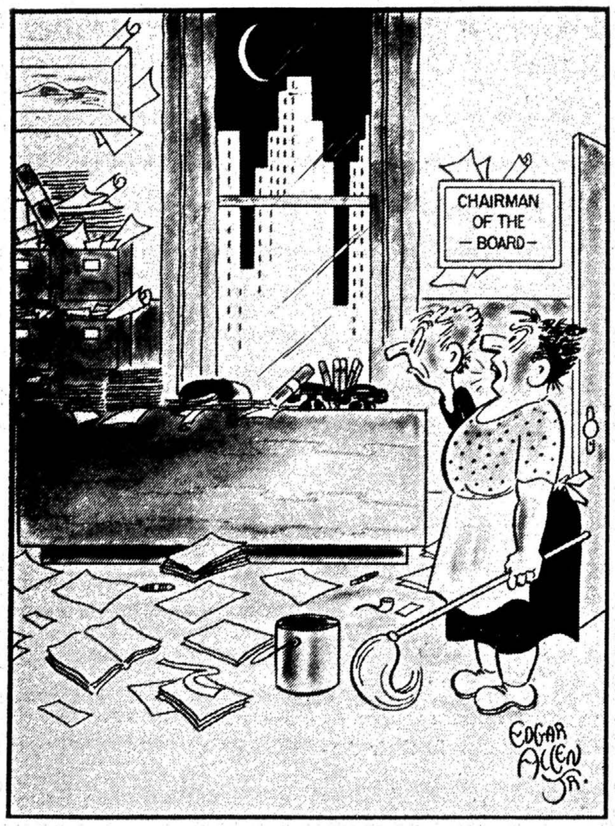
As the stabilization office takes on the color of its predecessors, the outlook for the type of program being drafted will probably begin to smack of the days during the last two wars.

Principal job facing Phelps and Eddy now, they say, is to work out the basic policies under which controls would be operated in another emergency, in other words, how the freeze would be thawed. And they're thinking big, planning for emergencies which include an atomic attack on some part of the country as a foregone conclusion.

Some planners are convinced that the White House should have stand-by authority to slap an immediate freeze on the economy in an emergency. They point to the swiftness of attack in the atomic age, and the slowness with which Congress usually acts. Using some Congressmen as fronts, these interests will probably make a bid to reinstate control powers into the Defense Production Act when it comes up for renewal this spring — powers the act once contained, but which were dropped three years ago.

(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



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