ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 181 Number 5402 New York 7, N. Y., Thursday, February 10, 1955 Price 40 Cents a Copy

EDITORIAL

As We See It

It is now evident that one of the serious issues before Congress and the American people at this time is how much we are to spend this year and in the years immediately ahead upon defense and how we shall spend it. There is, of course, a political element in current arguments, and the Pentagon plainly has not been able to divest itself entirely of its departmentalistic thinking.

But there are more profound issues and more general lines of cleavage. One of these involves the old, old division between the military and the civil elements in government and the nation. It has been too long the habit of the military leaders to try to get all the funds and resources they can on the theory that the civilian elements in government will always try to give them as little as may be. On the other hand, a feeling has developed in this country in the past decade or two that the effectiveness of our defense preparations is to be measured by the simple test of how much money we spend on them. The New Deal notion that extravagant or even wasteful public expenditures are not by any means an unmixed evil —indeed, may even often be a blessing but little, if at all, mixed with evil—has definitely made it easier ever since the end of World War II for the armed services to defend claims for funds.

Other topics which go to the root of basic decisions which must be reached concern such matters as the nature of our best defense in a world such as that in which we now find ourselves. How far shall we, how far can we, depend upon allies? In what degree shall we apply our resources to the building up of military strength in other countries upon whom we rely for support in case

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Economic Trends And Opportunities

By ARTHUR F. BURNS*

Chairman, Council of Economic Advisers

Pointing out that no government can, of itself, create real and lasting prosperity, and therefore a thriving economy depends on the enterprise of individuals, Dr. Burns attacks idea that nation has reached a mature stage, with limited opportunities for new private investment. Gives data on postwar trends that indicate we still have an expanding economy. Says neither the theories nor the prescriptions of economic policy during the thirties are suited to present conditions, and asserts the businessman's horizon now extends further than a generation ago, and there is momentum to the current business recovery.

A few days ago the President submitted his annual economic message to the Congress. This report reviewed current conditions and set forth a governmental program for sustained economic growth. It also summed up the President's economic philosophy by reaffirming his faith in the capacity of an economy based on free and competitive enterprise to create new jobs, to increase production, and to improve the living standards of our people.

Dr. Arthur F. Burns

This faith in the capacity of free enterprise to generate economic growth is based on the accumulated experience of generations. History has taught us that although government has a constructive part to play in the affairs of a nation, no government can of itself create real and lasting prosperity. A nation succeeds and prospers only as its people succeed and prosper. A thriving economy

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*An address by Dr. Burns before the National Automobile Dealers Convention, Chicago, Ill., Jan. 31, 1955.

Common Stocks Are Respectable

By JAMES A. CLOSE

Vice-President, Merchants National Bank & Trust Co., Syracuse, New York

Contending that, on the basis of yield hierarchy as well as other factors, common stocks are now respectable investments in which the layman can invest with confidence, Mr. Close gives as reasons: (1) changes in the law and practice regarding institutional investments; (2) the permission given savings banks to purchase common stocks; (3) the instance of an insurance company selling deferred annuities by investing a large part of premiums received in common stock; (4) pension and profit-sharing plans that are invested to an increasing extent in common stocks, and (5) the accelerating investment of Mutual Funds in common stocks. Stresses high yield of common stocks as a lure for investment.

My thesis is that common stocks are respectable investments in which laymen can invest with confidence. This statement relates not to the level of the stock market today and the prospects of capital gains in the next few months, but rather to more basic factors that have been inadequately recognized by many potential laymen investors. However, before we talk of common stocks, we must note that a sound investment plan is first predicated upon your having adequate life insurance and adequate savings.

James A. Close

One other item in the general background might be mentioned before we proceed to look at investments themselves and that is to look at a kind of hierarchy of yields as they exist in the investment markets today. In fact, it is possible to construct a yield hierarchy somewhat as follows:

Savings accounts, 2.00%; savings banks, 2.50%; marketable government bonds, 0.90% to 2.99%; AAA

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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 36.

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.)

GEORGE C. ASTARITA
Boettcher & Co.
Colorado Springs, Colo.

General Bronze Corporation

General Bronze Corporation is a fast-growing unit in the building field and presents an interesting investment opportunity because it deals in materials and designs which are enjoying a more rapid rate of development than other building materials. Entrance into the aluminum building products field constitutes a large and new development which, superimposed on a small capitalization, imparts to General Bronze stock the possibility of dynamic growth. That is why the stock is one of those which "I like best."

George C. Astarita

The use of aluminum building products reduces labor costs in erection and virtually eliminates maintenance costs. Minimum wall thickness creates more inside space and light weight affords economies in foundations and supporting members. Schools, factories, commercial buildings and residences are, for these reasons, using a proportionately larger amount of aluminum building products and future building seems sure to witness an ever increasing trend toward aluminum. General Bronze, as reputedly the leading authority of curtain wall design and fabricator of aluminum products for the building industry, would seem to possess a dynamic future.

Products produced by the company include windows and doors of many designs and functions for use by all types of buildings. As the leader in "curtain wall" design and construction technique, General Bronze recently completely enclosed with aluminum panels a New York skyscraper within one day as opposed to a time period of months required in the use of brick. The trend in modern office buildings, hospitals, schools and other public buildings is toward the use of aluminum panels and General Bronze is in the forefront of this field. Other products include radio and TV antennas and related electronic parts as well as components for diesel locomotives, road building equipment and military requirements. Architectural metal work was the company's first business and continues as an important operation. An active research department continually develops new products designed for comfort of living and both low cost construction and maintenance.

Sales have expanded more than two and a half times during the last six years to reach a figure in excess of $25 million in 1953. With a backlog of $22.5 million of unfilled orders at the beginning of 1954, a new high record for that year would seem assured. Despite the competitive nature of the building industry, it seems more than likely that profits would keep pace with the increase in sales for the reason that the company has been and is continuing to institute new and improved methods of production, including a new 810-ton giant press for the production of building panels. Other new and lower cost production equipment being introduced, and the addition of a new plant in December of 1954 should serve to keep General Bronze abreast competitively. Mass production of wall panels for all types of buildings, including residential structures, is now being planned. Such vision on the part of management has enabled the company to approximately double its net earnings during the past six years despite the heavy incidence of taxation and it seems likely that 1954 earnings will exceed the $3.50 per share reported for 1953. Total dividends of $1.70 per share paid last year afford an almost 6% return at the present price of 30⅝ for the stock which is listed on the New York Stock Exchange.

A strong balance sheet and a sole capitalization of 363,000 shares of common stock lends investment status to the stock. Here then is a company, the leader in its field, which is capitalizing upon the fast-growing use of aluminum in the rapidly expanding construction industry. Its record is good and its outlook promising.

J. WALTER LEASON
Institutional Department
Montgomery, Scott & Co., N. Y. City
Members New York Stock Exchange

Puget Sound Power & Light Company

Puget Sound Power & Light stock was listed on the New York Stock Exchange on Feb. 7, 1955 —just a few days ago. From an investment point of view, this listing is almost an event symbolizing the company's coming of age.

J. Walter Leason

The stock is interesting because it is an electric utility combining one of the very strongest financial positions—with a 58.5% common stock equity giving it defensive characteristics—while the dynamic growth of population in the territory served imparts growth characteristics. Moreover, the $1.72 dividend yields 5% at the current price of 34½, whereas the average electric utility stock, with a much weaker common stock position and an inferior growth potential, yields only 4½%.

Reasons for Undervaluation

For most of the last twenty years, the company has operated under many burdens. The principal problems, which have now been largely resolved in Puget's favor, can be summarized as follows:

(1) **Split Service in Seattle:** The company formerly competed with the City Lighting Department, which had approximately 75% of the city's customers. In the face of an expiring franchise and duplicate facilities, the company was able to sell these properties to the city for $26.8 million — above book value — and thus lay the foundation for its current strong financial position and growth.

(2) **Public Power Conflicts:** Under Washington State Law, Public Utility Districts were able to buy pieces of Puget's property at amounts set by jury awards. However, Puget's stockholders were not badly treated since jury awards were about double book value. This activity seems to have reached a peak in 1949. The pendulum has been swinging the other way. Two recent proceedings involving one-sixth of the company's total business were dismissed in December, 1954, by motion of the same Public Utility District which originally brought the condemnation suit.

(3) **Federal Government Power Policy:** Until very recently, the Federal Government had assumed primary responsibility for developing the power resources of the Puget Sound area. However, in the last two years, Federal power policy has changed. The government is unlikely to undertake tremendously expensive power developments in the face of large defense expenditures, a desire to balance the budget, and a tendency to favor private enterprise where it can do the job. This has produced a more favorable atmosphere for utility company expansion.

(4) **The Uncertain Power Supply:** The problem described above made the availability of power to Puget an uncertain matter. Recently, Bonneville Power Administration has given the company a 20-year agreement, replacing previous five-year agreements. Interchange agreements with Seattle City Light and the Northwest Power Pool and Puget's own building and expansion program assure the company of abundant power for its expansion.

In this connection, formation of the Puget Sound Utilities Council is of tremendous future importance. This Council consists of the company, two municipal authorities and two Public Utility Districts who have decided to work together for the good of the area which is faced with a need for 1,700,000 kilowatts of additional electric power in the next 10 years. This Council will plan a co-ordinated power program for the entire Puget Sound—Cascade area to assure the lowest possible cost. Each one of the power organizations will retain its own identity and do the necessary building and financing on its own power sites with guarantees by the other four utilities to make financing easier.

(5) **Corporate Problems of Expansion:** The terms of the old mortgage were very restrictive. The refunding in September, 1954, resulted in savings of 6c a share and permitted the company to issue an additional large amount of bonds in expansion.

Significant Features of Puget's Position

The company's strong financial position permits it to virtually double its present size without any common stock financing. This is very important in benefiting from growth of the dynamic territory served. The territory served grew over 61% in population between 1940 and 1950, or almost twice the rate of growth of Washington State (37%) and 4½ times the growth of the entire United States (14.5%).

Because of various sales of properties, the strong growth trend has been difficult to perceive. However, the company's average residential electric use is

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Economic Roads and The Automotive Industry

By PAUL MAZUR*

Partner, Lehman Brothers, Members N. Y. S. E.

Stressing the automotive industry as a barometer of general business conditions, New York investment banker points out that though mass production results in high wages and relatively low prices, its weakness lies in its need of growth in sales, and this is particularly true of the automotive industry. Calls attention to increase of "automation" in our economy, in which automotive industry plays a leading role, and says this means a persistance of buyers' markets and more efficient salesmanship. Says the automobile is basically a family product, and the rate of family formation influences the demand for it, along with the suburban trend of population.

What are the prospects for the automotive industry over the next decade? I am aware of the dynamite inherent in the remark that what is good for an automobile company is good for the country. Nevertheless, what is good for the automotive industry is not likely to be too much at odds with the well-being of the country. This industry and its collateral developments have become so large and vital a segment of our entire economy that one finds it difficult to assume a depressed volume in the automobile industry and, at the same time, an active economy in general.

Paul Mazur

Steel and automobiles, oil and automobiles, rubber and automobiles, cement and automobiles, have become so inter-related as to be inseparable.

The Recession of Mid-1953

The recession which started in mid-1953 and ended its downward trend in the Spring of 1954 had among its ingredients factors created by the automotive industry.

The economic decline which we have experienced has been mild in its quantitative effect but rather significant in its political impact. As a nation, we appear to be developing an expectation or even an insistence that there be no recession from the highest levels we have attained in activity, in employment, in sales, and in profits.

Partly in prospect and certainly in retrospect, this recession has been primarily an adjustment in inventories. In 1951 and 1952, business was busily engaged in accumulating inventories. In the years 1953-54, these inventories became matters of great concern and business engaged in decumulating — or reducing inventories by decreasing production.

Coincident with this period of inventory liquidation, government expenditures decreased. The result of the combination of the factors was the development and application of deflationary forces upon the economy's effervescence; and upon the seller's market to which American businessmen had become so enthusiastically accustomed. And this happened in spite of practically no decrease in the levels of consumption or prices.

In these experiences of 1952-54, there should be a lesson of great significance and value to America, if we will take advantage of the opportunity to learn.

In the period we are just ending is the evidence of both the great value and also the weakness of our almost miraculous system of mass production. From mass production comes high wages and relatively low prices through increased productivity. But to accomplish its values, mass production needs **growth** of sales. Otherwise, mass production will be accompanied first by increased inventories and later by decreased employment.

Therefore, a healthy mass production method needs equivalent and growing levels of sales or consumption of the products it produces. Production and consumption must be correlated. Consumption depends upon the actions of 47 million families and 160,000,000 people; and as a consequence it is not easy to control. Therefore, production activity must be correlated to consumption levels—or else.

The experience of the automotive industry in 1953 gives witness of what the "or else" can mean. In spite of a very large volume of registrations in 1953, we entered 1954 with too large an inventory of unsold cars. Production in 1954 was affected by that fact. So was the pressure to liquidate inventories and its resulting effect upon prices and profits of manufacturers and particularly dealers.

The probabilities are that the conditions that developed came from a perfectly natural desire and policy of each important producer in the industry to obtain his "proper percentage" of the total. It was unfortunate that simple arithmetic refused to cooperate. As a result, the total of all the "proper percentages" added up to substantially over 100%. And we haven't yet learned to divide more than 100% of any pie or any market.

No matter what level of con-

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*An address by Mr. Mazur before the National Automobile Dealers Association Convention, Chicago, Ill., Jan. 31, 1955.

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Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, February 10, 1955

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The United States Stake In Canadian Expansion

By HENRY C. ALEXANDER*
President, J. P. Morgan & Co., Incorporated

Calling attention to the "dynamic interaction" between economic development in Canada and the U. S., prominent New York banker points out Canada's industrial expansion will be an important factor in the future growth of the U. S. economy. Praises Canada's welcome to American participation in its economic expansion, but cautions against erecting between the two countries a "velvet curtain," under the pretense that "no conflicts of interest exist between us." Urges Canadians and Americans to work harder than ever before at the job of being good neighbors.

In anticipation of this pleasurable occasion, one thing in particular occurred to me about the founding of the Canadian Society itself. Normally, when people away from their own country band together in an organization, you assume that they do so principally for reasons of what you might call homesickness — a desire to compensate for the strangeness of new surroundings by associating with those who share a common background.


Henry C. Alexander

That wasn't the case with the Canadian Society of New York. I don't mean that that handful of expatriates who joined together in Manhattan nearly 60 years ago didn't feel the normal pull of their ties with the homeland to the north. Of course they did. But the striking thing is that in New York they didn't feel they were in a strange land. So, the Society they formed was intended, not to provide a make-believe feeling of being at home, but to promote and strengthen the bonds of friendship which they perceived as naturally existing between their country and the country into which they had come.

The Society has never lost sight of its dedication to that aim, and the people of both countries owe it a debt of gratitude for what it has accomplished in that direction.

Not long ago, a European visitor to Canada remarked at the splendid feeling which he found to exist between that country and the United States. He contrasted it with the frictions which commonly characterize border relationships in Europe. "You people and the Americans are so understanding toward each other," he said.

"Well," replied his Canadian host, "they give us an awful lot to be understanding about."

As a matter of fact, I guess we do. But, in fairness, we can't take credit for providing all the opportunities for dislay of patience and broad-mindedness between our two countries. That's an honor we'll have to share.

The Longest Unfortified Frontier

Some of you may be wondering how much further I'll go before referring to the world's longest unfortified border. All right, I will. If all the nice things that have been said about that frontier were laid end to end, I have no doubt they'd reach the whole 3,986 miles of that wonderful line of good will, and have enough left over to take care of the trans-Canada pipeline and the St. Lawrence seaway as well. No, that border is the most heavily fortified one in all the world. It is fortified—every foot of it—with long and everlasting friendship.

I wouldn't presume to try to analyze the remarkable brand of coexistence which Canada and the United States have managed all these years. It's not the sort of thing you can draw a blueprint for. But there is one factor contributing to it which probably should receive more recognition than it does. I refer to Canada's historic talent for maintaining in delicate balance a whole host of complicated relationships. This is a subtle sort of skill, something we Americans perhaps can't fully perceive or appreciate. But I think its workings can be seen clearly enough.

For instance, this talent is demonstrated in the evolutionary role which Canada has so masterfully played in the British Commonwealth. Likewise in the wisdom she has displayed in solving her own internal nationality problems, where she happily has chosen the gentle technique of the mixing bowl rather than the more drastic one of the melting pot. And certainly this gift of poise is evident in the quiet, unobstrusive, but very important part which Canada has played in the working out over the years of the vital relationship which exists between our country and the country which is mother both to her and to us—Britain.

Perhaps it was this same skill at maintaining difficult relationships that Stephen Leacock was thinking of in his classic remark. You may recall it. When her neighbor to the south was locked in the tragic War Between the States, Leacock said, Canada did the only conceivable thing: she sprang to the aid of both sides.

Canadian-American Relations—More Than a Continental Affair

The bonds of accord between our two nations have assumed an importance extending far beyond our own countries. Canadian-American relations are no longer merely a continental affair. Today both countries are enacting their national roles on a world stage. And, whether we wish it or not, together we are moving irresistibly and inevitably toward the center of that stage, where everything we do will have a magnifield effect on the course of the universal drama.

This circumstance, inescapable in today's world frame-work, places a high premium on continuation of the sanity and re-

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*An address of Mr. Alexander at the Annual Dinner of the Canadian Society of New York, New York City, Feb. 4, 1955.

The State of Trade and Industry

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

Total industrial production for the nation as a whole advanced slightly in the period ended on Thursday of last week over that of the previous week. Compared with a year ago the rise approximated 6% with advances in the Midwest somewhat greater than in other sections of the country.

Unemployment rose to 3,300,000 in the month ended early in January, the Government reported. This was an increase of 500,000 over the month-earlier level. It was 200,000 more than a year earlier. Employment totaled 60,200,000—up 450,000 from a year ago, but down a half-million from early December. Officials said the number of jobs dropped sharply in retail trade from its Christmas peak and there were seasonal reductions in construction and most other industries.

The steel ingot rate is pegged at close to 83% of capacity this week but steel mills will be operating at over 90% within a few weeks, states "The Iron Age," national metalworking weekly. If the rate of incoming business holds, raw steel output may reach 94 to 95% of capacity sometime in March or early April.

Added to heavy domestic demand from steel users, there has been a substantial pickup in orders for semi-finished steel and flat-rolled from abroad. Some American steel companies have turned down export semi-finished business and have been cautious on any export cold-rolled sheet commitments.

Demand for semi-finished steel and flat-rolled products has come from Britain, West Germany and Italy. The steel shortage in Great Britain and on the Continent will be present for some time. Export demand for steel will probably become so heavy that excess ingots from some American steel plants will find their way abroad in the near future, declares this trade journal.

With the United States civilian economy causing the steel ingot rate to approach 90% of capacity, a serious turn in international events would create one of the tightest steel markets since Korea. At least 15% of current capacity is earmarked for defense purposes and only a fraction of that cushion is now being used for defense.

Increased civilian steel demand is forcing use of less efficient, higher production cost steelmaking equipment. Hence, there is a tendency to allow order backlogs to increase at a rapid rate rather than boost the operating rate too high too quickly, observes "The Iron Age."

Lost in the shuffle of current market news is the amazing potential for plate makers, seamless pipe producers and fabricated linepipe firms. Currently planned or proposed linepipe projects involve 8,600 miles worth $575 million. Pipelines authorized or approved will take about 6,000 miles of pipe and cost $690 million; or a grand total of about 14,600 miles and a cost of more than $1.26 billion, concludes this trade authority.

Passenger car production in the United States last week was scheduled only 0.4% under the all-time mark (164,876 units set in the week ending June 24, 1950) to meet a revised February program calling for 666,000 cars.

"Ward's Automotive Reports" said that the new target for the month, despite one less work day, is slightly above January's 659,457 cars—the fourth-highest on record—and means an average 166,500 completions each week throughout February.

Last week's turnout is estimated at 164,295 cars and 18,601 trucks, or a combined 182,896 units, compared to 160,666 cars and 22,588 trucks (183,254 vehicles) in the preceding week.

Thus, car and truck building remains at a four-year high and rests only 6% under the all-time weekly mark of 196,348 vehicles (162,847 cars and 33,501 trucks) set in the week ending June 17, 1950, declared this trade authority.

The past week's program included a 17% drop in truck erect-

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Observations . . .

By A. WILFRED MAY

CORPORATE GLADIATORS

A Look at the Avery Record

[Midst the general concentration on the current aspects of the proxy war for control of Montgomery Ward, it seems constructive to inquire into the long-term past record, policies, and philosophy of the chief protagonists. This space is accordingly devoted to the incumbent management chief, with coverage of the insurgent Mr. Wolfson following in next week's column.]

"Is Mr. Avery about to be forcibly carried out of the Ward premises for the second time?" Wise-crack though it may be, the question manifests the wide public misconception in assuming that the scope of Sewell Avery's career is bounded at one end by his 1944 battle with FDR in which he stood—or rather sat—on the position that the President had no right of seizure under the War Labor Board's order; and by the current proxy battle of the mid-century. Actually, of course, the career of Ward's boss far transcends these limits, not only at his present habitat, but before his advent therein.

Sewell Avery

A. Wilfred May

Even without the existence of Montgomery Ward, Avery would still be known as a leader of American industry by virtue of his direction of the United States Gypsum Company.

His father, Waldo Avery, a native of Maine, where he was in the lumber business, later moved to Saginaw, Mich., birthplace of Sewell in 1874; there becoming interested in a variety of enterprises, including shipping, lumber and banking. Avery senior, who died in 1915, was one of the guiding lights in putting together the units which formed the U. S. Gypsum Company. Sewell became Secretary of one of these enterprises, a small gypsum company at Alabaster, Mich., that, in 1902, joined with several other small plants to form the United States Gypsum Company.

Under the new setup Sewell Avery became Manager of the Alabaster plant; but soon went into the organization's sales department and quickly rose to sales manager of the Buffalo District. At the age of 32, in 1905, he was named President of the company.

An Early Growth Situation

Under Sewell Avery's management and policy-direction (he was Chairman until 1951) Gypsum has indisputably become one of the outstanding corporations in the nation—a real "Blue Chip" growth company.

From the $350,000 first reported in 1907, the earnings rose to $1.7 million in 1920, and to $8½ million in 1925. Since the mid-'30s net income has quadrupled.

Sales in the 1930s during the four years preceding World War II increased by 30%, from $33 million to $43 million; and postwar volume has almost trebled (from $85 million in 1946 to an estimated $220 million last year).

The company enjoys impregnable financial stability. Its cash and U. S. Government securities at $79 million alone are 2½ times total current liabilities; and total current assets are three times the aggregate of all liabilities including the outstanding preferred stock.

The last of U. S. Gypsum's funded debt, consisting of $1 million of 5% bonds, was paid off in 1921, since which time the company has never had any fixed debt. When additional money was needed for financing the rapid plant expansion of the 1920s, the company sold $7,602,100 additional stock to its stockholders in 1928. Otherwise the company has financed its expansion out of current earnings.

Back in the annual report of the year 1924, Avery told stockholders:

"The continued growth of the company's business generally requires much new construction to meet the anticipated demand. Provision to finance these expenditures covering existing or con-

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Warns on Peacetime Conscription

Pamphlet issued by the National Council Against Conscription says Pentagon's proposals would break American traditions and would place the country in the same political status as prewar Prussia.

"America will differ from Prussia in name only if the new peacetime conscription proposal is adopted by Congress" the National Council Against Conscription charges in a 36-page printed booklet. The Council asserts that "Freedom from military servitude is as much a part of the American way of life as freedom of speech and religion." This would be lost "if each boy must spend eight to 10 long years under the military heel" in peacetime as the Pentagon proposes.

The Council in the booklet, entitled "The Facts About the Pentagon's New Conscription Plans," declared that the draft law which will end in June was "an emergency measure passed for the Korean War." It called for "a return to a volunteer army of pre-Korean size. The army could raise by volunteering the small group of men it needs for combat and hire civilians to do the supply work just as the Air Force is doing in many foreign countries in 'Project Native Son,'" the Council indicated.

Asserting that "80% of the army is engaged in non-combat civilian type jobs such as transportation, warehousing, maintenance, overhaul, bookkeeping, housing, feeding and overhead," the Council declared that "such work could be performed by employing civilians as the Seabees did during the war. The Seabee formula was to take men of all ages and physical conditions from civilian life and use their civilian skills without putting them through basic military training or into uniform or under the military code."

The Council attributes the idea of universal conscription to an "army dogma that everyone should be conscripted whether or not needed and whether or not used." The report indicated "This idea originated in 18th century Europe before the development of modern industry, and remains a part of army thinking in the highly developed industrial society" of today. "Even the military leaders who advocate its use in peacetime would substitute in wartime a selective use or recall of those trained so as not to jeopardize science, industry, agriculture and the economy."

"Conscript armies are outmoded by the hydrogen bomb," the Council asserted. Since one H-bomb can poison an area of more than 4,000 square miles by radio-active 'fall-out' and insure absolute loss of life and property by the blast effects within an area of 300 square miles, ground warfare as it is currently conceived is impossible."

"If the conscript Ready Reserve is to number three million, as announced, the cost would be tremendous simply to equip them," the Council said. "The cost of initially equipping a basic army infantry division is $91,000,000, and an armored division is $293,000,000."

The Council holds: "There is of course no point in conscripting men for a ready Reserve unless they would be put into fully equipped divisions. The cost of equipping 100 divisions would range somewhere between $9,100,000,000 if all were infantry divisions, to $29,300,000,000 if all were armored divisions. An average would run $19,200,000,000. In addition to these costs there are travel, pay and other costs for each reservist."

"There are a number of indirect costs such as the loss to industry and agriculture of 12 working days out of 15 days refresher training each year for at least 1,500,000 men. This would mean 18,000,000 man-days lost. This is almost 10 million more man-days lost than were lost in strikes in the United States in 1944 (8,721,000). Assuming a cost of at least $10 per day (an estimate by a government economist in 1945) this indirect yearly cost would be at least $180,000,000 to industry," the Council added.

The officers of the Council include Dr. Harry Emerson Fosdick, Pastor - Emeritus of Riverside Church in New York; Dr. Alonzo F. Myers, Chairman of the Department of Higher Education, New York University; Father Francis X. N. McGuire, President of Villanova University in Pennsylvania; Dr. George Buttrick of Harvard University; and Rabbi Elias Charry of Germantown, Philadelphia, Pa.

Copies of the booklet dealing with the facts about the Pentagon's new conscription plans, may be had for 25 cents from the National Council Against Conscription, 104 C Street, N.E., Washington 2, D. C.

American Secs. Corp. Elects Three V.-P.'s

William Rosenwald, chairman of the board, and Emmett F. Connely, President of American Securities Corporation, 25 Broad St., New York City, announced the election as Vice-Presidents of William N. Bannard III, H. Theodore Freeland and Winfield A. Scott.

Mr. Bannard is head of the public utilities department. Mr. Freeland is in charge of the firm's trading and other activities in corporate securities, while Mr. Scott is manager of the municipal department.

Still New Frontiers to Conquer

By LELAND I. DOAN*
President, The Dow Chemical Company

After noting that for decades the nation has of necessity been preoccupied with fighting depression or war, prominent chemical executive points to need for more social as well as industrial progress. Stresses great value of technical research, and cites need for more school facilities, encouragement of education, better highways, and above all, more and better medical services.

Five years ago we were pretty proud as we considered what we had accomplished in 50 years. It was a fine record, and possibly some of you may have felt that certainly we had about reached the end of the line—that we were a mature society and a mature community, and that from there on progress would be hard won and of meager significance.

Leland I. Doan

I don't really think many of you would have entertained such thoughts, but there are such people. There are the unconvertible pessimists who despite repeated lessons cannot be convinced that there are still new frontiers to conquer. And there are others who are not really pessimists but who somehow have difficulty in being optimists, who just can't quite escape a sort of "too late" attitude toward life.

I am very sure there are young people, as there always have been, who graduate from school and face business life hopefully but with their fingers crossed. So many things have been done, so many things invented, that it just can't be possible that there is anything really important to do or contrive.

And there are older people who too often find themselves toying with the idea that their opportunities would really have been greater if they had been born 30 years sooner. They are the kind who say wistfully, "Boy, I'd sure like to have been able to buy some Dow stock in 1910. I suppose it's still a good investment — but not like in the old days."

The only thing is I suspect that if those same people had been around in 1910 they'd have been wistful about the opportunities in 1890.

Well, on the contrary, it is also possible that some of you folks were disappointed five years ago that I didn't make any predictions about the future. It is just human nature that we enjoy having someone tell us how good— or even how bad — things are going to be even more than we enjoy having them tell us how good things have been.

Frankly, I don't think it's so much that we intend to do anything about it as it is man's inherent curiosity about the unknown, plus a little dash of glee at seeing someone crawl out on a limb.

I suppose I could have made some predictions five years ago and I could make some tonight. But I didn't then, and I don't intend to now. What could I have said? I would have had to be very conservative. I could have said we will keep on growing. And that's just about all I could say right now.

Well, five years of that future we might have contemplated then is now behind us. So let's look at a few of the things that have happened right around us in just that little period of time, and from that, if you are so inclined, you can be your own prophet. I'll tell you right now I wouldn't have taken a chance on predicting most, if any, of these things.

I remember mentioning at that time that The Dow Chemical Company had grown over some 50-odd years to have 19,000 stockholders and annual sales of more than $200,000,000. I was proud of that growth and still am. But another five years have gone by — another little inconsequential five years—one-tenth of the time era we were considering then. And you know, in some myserious way our sales have more than doubled to some $430,000,000 and our stockholder family has grown from 19,000 to over 50,000.

In fiscal 1949 we paid $53½ million in wages. Last year we paid $114 million. Of course, that is the overall organization. We did put a little matter of $418 million into expansion in those five years — the large part, of course, in Texas — and you have seen quite a few evidences of that investment right here in our Midland plant. If you haven't, I invite you to take a ten-minute excursion down Ellsworth Street and US-10 to the railroad crossing.

Do you think I would have predicted any of these things in 1950? I certainly wouldn't have done it where anyone could hear me.

Now, I will admit it would have been very nice to buy a few shares of Dow stock in 1910 or even in 1920. I doubt if it was considered as safe an investment then, but time has proved it to be a good one. By 1950, of course, it was a little late. The golden opportunity was over.

However, I happen to know a fellow who bought 100 shares just five years ago, on Jan. 19, 1950. The stuff was getting expensive then, and he had to pay $56 a share for them. But buy them he did, and furthermore he has had no better sense than to hang onto them for mostly sentimental reasons. His 100 shares have mysteriously grown into 331 shares. And on the market this afternoon his original $5,600 investment was worth almost $15,000.

The amazing thing is that he's really quite pleased that his investment has almost tripled in five years. But there is something peculiar about him. You see he doesn't realize that he was born 30 years too late for any of the really good opportunities.

Now, in the language of the financial world I hasten to add that anything I have said here is not deemed to be a prospectus or solicitation or an invitation to purchase shares of The Dow Chemical Company. I cannot possibly predict that anything like that is apt to happen again.

So if I can't predict what is going to happen in my own company I cannot possibly foresee what is going to happen in my community. But I can look back now and see what I might have prophesied if I had a really efficient crystal ball.

I was talking with Ray Fry the

Continued on page 24

*An address by Mr. Doan before the Annual Meeting of the Midland Chamber of Commerce, Midland, Mich., Jan. 19, 1955.

Random Bank Notes

By IRA U. COBLEIGH
Enterprise Economist

Including a few bank shares, considered from the various standpoints of yield, book value, price/earnings and possible dividend increase.

This all started innocently enough. A character opined at lunch, that he was selling out a long and hearty list of profit-laden aircraft shares (of six month and older vintage) and, rather than bank the dough at savings bank or savingsand/or building and loan interest rates, he proposed to buy bank stocks. His reasoning didn't sound bad at all.

Ira U. Cobleigh

First he said the bank share dividend yield, somewhere between 3½% and 4%, was O. K.; second, he contended banks had plenty of liquidity and their shares should, for that reason, sag but little in a receding market. Thirdly he felt that because many bank issues are paying only around 50% of current net in dividends, steady existing dividends seemed assured, and addition to book value could be relied upon. Fourth he appeared unworried about any imminent decline in bank earnings.

Our little stint for the next few paragraphs will be to paw over this line of reasoning not so much perhaps to confirm his selection of bank shares as prime substitutes for more volatile equities, as to consider just how attractive selected bank shares are at the moment, in their own right.

Our first observation will be that "buried treasure" type of banking has gone pretty much out of style. You know what I mean—banks as liquid as a pipe line, loaded with cash, Treasury bills, prime short terms, with nothing in portfolio so slow as a mortgage, or so plebian as a personal loan. No, the progressive bank of today, while by no means neglecting its duty ever to provide safety and availability of depositors' funds, has moved on to more effective performance of its two other basic functions: to provide a wide assortment of loans to its clients, individual and corporate (as many of such as may soundly qualify), and finally to earn a good return for shareholders.

Another point, it used to be quite satisfactory as far as institutional investors were concerned, if the Monolith Trust Company paid an unchanged dividend, and dozens of banks you could look up would reveal identical yearly dividends for 10 or a dozen years in a row. That ultra conservative type of dividend distribution is not particularly popular with individuals who have, in recent years, become bank stock holders. For them somewhat similar criteria are applied to bank shares, as would be used in the case of other corporate equities. Are earnings and dividends increasing? Are stock dividends being paid or in prospect? Is the bank going to need more capital so that attractive rights may occasionally be offered to shareholders?

For the investor seeking, in bank shares, growths in earnings and equity to keep pace with the dollar inflation of the last 20 years, considerable selectivity has been requisite, and, if used, highly rewarding. To take a classic example, Franklin National Bank, doing a splendid supermarket type business on suburban Long Island, has provided its shareholders with a fantastically favorable capital gains vehicle in its shares. Had you in January 1950, just five years ago, spent $5,500 here you could have purchased 100 shares in the bank. Today you would own, without having put up a cent over and above the original $5,500, 668 shares worth $34,000 through a series of stock dividends. This bank does not go in much for cash dividends so you'd have received only around $325 in cash along the way; but for growth in capital you could hardly have done better in a plastic, electronic, or oil equity.

This Franklin National Bank is the sort of institution more and more individuals are looking for, a combination of smart management, provision of the broadest possible banking services, and alertness for mergers. The Franklin National Bank stock, in case you're interested, sells at 54 over the counter.

As long as this is a rambling sort of article, there is surely no harm in digressing for a moment, before we nominate a few more issues. We'd like to set down one or two more points to look for in progressive bank shares. The California and West Coast banks (in states where there are no mutual savings banks) do a big business in time deposit and thrift accounts compared to New York

City banks; and a much larger percentage of resources go into mortgage loans. This latter type of investment tends to provide higher returns than commercial loans, and since the West Coast building boom is still roaring, mortgage investments in banks there are likely to be an important earnings factor for some time to come.

There still are three things I overlooked so far in this little blueprint for bank stocks—yields, price/earnings ratios and book values. On the average, cash dividends on bank shares currently provide a yield of perhaps 3.80% so if you can find a good issue paying above 4% (where dividend payout is 60% or less of net) you are likely to get a not overpriced issue. Better yields are, for the most part, in so called "wholesale" banks—purveyors of credit and deposit accommodation to the big corporations—ones like Guaranty Trust which yields 4.6% at 79; First National Bank of New York, yielding 4.90% at 460 per share; and the specialist in trust services, U. S. Trust Co., yielding 4.8% at 341.

About book values, the old time bank stock buyer always aimed to buy well below same. Today that's getting pretty difficult to do. In New York, Hanover Bank at 96 sells at 86% of book value—about the lowest priced on the New York list, on that basis. Highest price to book value at the moment in New York appears to be Bank of Manhattan, which sells 35% over book, due primarily to merger status. Relationship of price to book value can be somewhat confusing, however, as Bank of America, the biggest in the world, consistently sells at almost twice its book value, and yet it is a worthy bank share, in any company.

Price/earnings ratios are quite varied — somewhere between 13 and 17 times right now. The purchase of shares of a sound bank has almost invariably proved profitable at a 10 times earning ratio; and certainly no purchase of bank stock without reference to this relationship would seem very intelligent.

In order to put into action some of the assorted rules-of-thumb jotted down above, Manufacturers Trust Co. of N. Y. qualifies as a progressive bank with broad retail services, offered through 112 branches. The stock at 78, paying $3.20, yields a bit above 4%, and sells at 107% of book value.

An attractive inland entry, judged by the yardsticks above, would be Central National Bank of Cleveland, which sells almost at book value, about 12 times net, pays $1.60 and, at 37, yields around 4.40%. (Rights were recently offered to buy new shares at $32.50 on about a 1 for 4 basis.) This bank declared a 10% stock dividend in 1949, 10% in 1951 and cash dividends were increased each year for nine years in a row, 1945/1953. A good management, a good territory, and an across-the-board record for sustained growth, provide logical reasons for current attractiveness of Central National of Cleveland.

Valley National Bank of Arizona is another department store-type bank you ought to look up and, in the South, one of the most impressive financial institutions is surely the Citizens and Southern National Bank, in Georgia, which operates directly or through subsidiaries 19 banking offices in Georgia, with $390 million in total deposits. This bank does a wonderful loan business. At June 30, 1954, of deposits, then standing at $355 million, loans totalled $168 million; and of that, time loans were $94.6 million and installment loans $42 million.

Citizens and Southern is one of the most progressive banks in the country, pioneering in an instalment plan for purchase of common stocks, both listed and unlisted; and has worked out a plan to provide a secondary market for instalment loan paper owned by correspondent banks.

C & S capital stock (700,000 shares outstanding), sells currently around 42, and paid $1.35 last year. This dividend could be increased. The quality and enterprise of management here, plus the rapid rate of deposit expansion, should justify your putting Citizens and Southern National Bank on your shopping list.

I don't know just how far we've gotten along with our opening idea of picking out bank shares as a vehicle for salting away market gains; but at least some rudimentary techniques have been advanced for the sensible selection of bank stocks, if that stalwart sort of equity appeals to you. Some of your wealthiest friends own bank stocks.

With Irving Lundborg Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Roland J. Baker has been added to the staff of Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges.

Municipal Forum Plans Toll Road Conference

The Municipal Forum of New York is planning to hold a one-day conference at the Hotel Roosevelt on June 8, 1955 to discuss various aspects of highway financing, with special emphasis on toll roads, it was announced by Marquette deBary, F. S. Smithers & Co., President of the Forum. The subjects to be discussed will include traffic estimates, cost estimates, urban traffic considerations, and construction and operating problems. Among the participants in the conference will be highway officials, leading engineers, attorneys and representatives of investing institutions. Attendance is expected from many parts of the country.

Brush, Slocumb Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Robt. N. Rehlaender is now with Brush, Slocumb & Co., Inc., 1 Montgomery Street, members of the San Francisco Stock Exchange.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stocks—Analysis of the 1954 year-end reports—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Common Stocks Offering Good Yield—Tabulation— H. Hentz & Co., 60 Beaver Street, New York 5, N. Y.

Electric Utilities in Japan—In current "Monthly Stock Digest" with particular reference to **Chugoku Electric Power Co., Ltd., Hokuriku Electric Power Co., Ltd.** and **Hokkaido Electric Power Co., Ltd.**—Nomura Securities Co.. Ltd.. 61 Broadway, New York 6, N. Y. and 1-1 Chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan.

Earnings Performance of Japanese Companies—In current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Financial Facts and Comment — Leaflet — Gardiner, Annett, Limited, 330 Bay Street, Tronto, Ont., Canada.

French Revolution Inflation—Lesson of Irredeemable Currency —10 page study—25 cents per copy; 10 copies, $2.00; 50 copies, $7.50; 100 copies, $10.00—Frederick G. Shull, 2009 Chapel Street, New Haven 15, Conn.

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

Lithium Story—Circular—Julius Maier Co., Inc., 15 Sxchange Place, Jersey City 2, N. J.

New York Banks and Trust Companies — 91 consecutive quarterly comparison of leading banks and trust companies—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Annual comparison and analysis —Laird, Bissell & Meeds, 120 Broadway, 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.

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

Railroad Stocks—Bulletin (No. 183)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 185) on **Pennsylvania Railroad vs. New York, Chicago & St. Louis Railroad** and (No. 184) on **Missouri Pacific Railroad Company.**

"10 Best . . ."—Investment Booklet plus next 12 issues of The Exchange Magazine—The Exchange Magazine, Dept. E-1, 11 Wall Street, New York 5, N. Y.

Ten Year National Highway Program—Analysis of investment impact of General Clay's Report to the President — John Nuveen & Co., 135 South La Salle Street, Chicago 3, Ill.

Utility Investments—Selected list which yields approximately 5%—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

What Atomic Energy Is and How It Is Applied—4-color sheet with listing of 100 atomic stocks—Atomic Development Securities Co., 1033 Thirtieth Street, N. W., Washington 7, D. C.

* * *

American Agricultural Chemical—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

American Airlines, Inc.—Analysis—$2.00 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

American Smelting & Refining Co. — Data — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also in the same bulletin are data on **Bethlehem Steel Corp., Columbia Pictures Corp., H. J. Heinz Co., Ingersoll Rand Company** and **National Distillers Products Corp.**

Berkshire Fine Spinning Associates, Inc.—Analysis—White & Company, Mississippi Valley Building, St. Louis 1, Mo.

Burton Manufacturing Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Case Pomeroy & Co.—Memorandum—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

Chicago, Rock Island & Pacific Railroad Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **National Container Corp., San Diego Gas & Electric Co.** and **Warner Hudnut, Inc.**

Cinerama Productions Corp.—Analysis—John R. Boland & Co., 30 Broad Street, New York 4, N. Y.

De Beers Consolidated Mines, Limited—Supplemental Report—Golkin & Co., 61 Broadway, New York 6, N. Y.

Eastern Air Lines—Analysis—Sartorius & Co., 39 Broadway, New York 6, N. Y.

Fansteel Metallurgical Corp.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Franklin National Bank—Statement of condition as of Dec. 31, 1954—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

Gimbel Brothers, Inc.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Interprovincial Pipe Line Co. — Memorandum — Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

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

MacMillan & Bloedel Ltd.—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Argus Corp., National Tea** and **Sinclair Oil,** and a memorandum on **United Air Lines, Inc.**

Mount Clemens Metal Products Co.—Analysis—F. J. Winckler Co., Penobscot Building, Detroit 26, Mich.

New England Lime Company—Analysis—Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass.

Nunn-Bush Shoe Company — Special Report — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Oklahoma Gas & Electric Co. — Memorandum — Harriman Ripley & Co., Inc., 63 Wall Street, New York 5, N. Y.

Olin Mathieson Chemical Corporation—Bulletin—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a bulletin on **Swift & Company.**

Penn Dixie Cement Corporation—Bulletin—Reynolds & Co., 120 Broadway, New York 5, N. Y.

N. V. Philips' Gloeilampenfabrieken — Memorandum — Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Riverside Cement Co.**

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

Strategic Materials Corp.—Descriptive circular—Straus, Blosser and McDowell, 30 Pine Street, New York 5, N. Y.

Trade Bank & Trust Company—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **Masonite Corp.**

COMING EVENTS

In Investment Field

Feb. 11, 1955 (Boston, Mass.)
Boston Securities Traders Association 31st annual winter dinner at the Parker House.

Feb. 16, 1955 (Detroit, Mich.)
Bond Club of Detroit annual dinner at the Detroit Boat Club.

Feb. 21, 1955 (Chicago, Ill.)
Municipal Bond Club of Chicago cocktail party for members and their wives at the Chicago Yacht Club.

Feb. 21, 1955 (Milwaukee, Wis.)
Milwaukee Bond Club annual meeting and election at the Skyroom of the Plankinton Hotel.

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

Feb. 28, 1955 (Philadelphia, Pa.)
Municipal Bond Club of Philadelphia luncheon at the Union League.

March 2, 1955 (Connecticut)
Security Traders Association of Connecticut and Connecticut Investment Bankers Association joint meeting at the Waverly Inn, Cheshire, Conn.

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

March 11, 1955 (Toronto, Canada)
Toronto Bond Traders Association Annual Dinner at the King Edward Hotel.

March 23-25, 1955 (Pittsburgh, Pa.)
Association of Stock Exchange Firms meeting of Board of Governors.

Apr. 29, 1955 (New York City)
Security Traders Association of New York annual Dinner at the Waldorf Astoria.

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.

June 8, 1955 (New York City)
Municipal Forum of New York conference on highway financing.

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.

Howard S. Wheeler Opens Own Inv. Offices


Howard S. Wheeler

ORLANDO, Fla. — Howard S. Wheeler has opened offices in the Florida National Bank Building to engage in a securities business. Mr. Wheeler was formerly Executive Vice-President of Leedy, Wheeler & Alleman, Inc.

ON THIN ICE?

Ladies and Gentlemen: Take our advice
And watch Peter Morgan go sail on the ice.
With his Model C ice-boat he slips and he slides;
Like a bird on the water, he dips and he glides.
And if in his coursing, he lands with a bong,
Why his sons at the tiller have just done him wrong.

(Peter Morgan,
Peter Morgan & Co.,
31 Nassau Street,
New York City)

James J. Faye Joins Moore, Leonard, Lynch

James J. Faye has become associated with the institutional department of Moore, Leonard & Lynch, 14 Wall Street, New York City. Mr. Faye was formerly with Eastman, Dillon & Co. and Goldman, Sachs & Co.

Casper Rogers Opens Own Investment Firm

Casper Rogers has opened offices at 40 Exchange Place, New York City, under the firm name of Casper Rogers Co. The new firm will act as dealers in corporation and industrial securities. Mr. Rogers for the past 25 years has been associated with King & King.

Joins McAndrew Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Mrs. Eunes I. Roberts has joined the staff of McAndrew & Co., Incorporated, Russ Building.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Kong H. Go is with Mutual Fund Associates, 444 Montgomery Street.

The Higher Bank Rate in Britain

By PAUL EINZIG

Commenting on the rise of the Bank of England discount rate by one-half percent, Dr. Einzig finds it has failed to produce any noteworthy effect, since it had been expected. Says higher interest rates in London are now expected to attract funds from abroad and sterling exchange is likely to become firmer. Warns, however, of the danger of "hot money."

Dr. Paul Einzig

LONDON, Eng.—After several weeks of hesitation, the British authorities decided in favor of an increase of the bank rate on Jan. 27. But contrary to custom, the rate was raised by ½% only, instead of the usual 1%. The solution represented a compromise between those in favor of firm measures to check inflation and those who considered official intervention unnecessary at this stage. All the markets had discounted the higher bank rate to such an extent that the ½% increase failed to produce any noteworthy effect.

Opinion in London is divided about the main motive which induced the Chancellor of the Exchequer, on whom the final decision rests, to decide in favor of the increase. According to one school of thought, the main object was to strengthen sterling in face of its prolonged and persistent weak tendency in the foreign exchange markets. According to another school, the move was directed against the unduly rapid expansion of credit which threatened to accentuate the prevailing inflationary undertone of the national economy. According to a third school, Mr Butler decided to raise the bank rate in order to be able to make tax concessions in the budget in April without running the risk of accentuating inflation unduly by such a release of purchasing power.

Beyond doubt, the weakness of sterling after the turn of the year has been unusually prolonged. Sterling is usually firm at the beginning of the year after the termination of the seasonal imports of cotton, wheat and other products. Higher interest rates are now expected to attract a certain amount of funds from abroad, as a result of which sterling is expected to become firmer. It is doubtful, however, whether this object alone would have induced the Chancellor to inflict on trade the inconvenience of higher interest rates. After all, it is sheer self-deception to achieve a firmness of sterling by attracting "hot money" from abroad. In itself this would not affect the basic position, and any influx of gold resulting from it would have its counter-part in a corresponding increase of Britain's foreign short-term indebtedness.

The only way in which the bank rate increase could achieve a genuine improvement in the balance of payments would be through bringing about a reduction in costs and a curtailment of excessive consumer demand. This result can be attained if the higher bank rate succeeded in checking or even moderating inflation. There can be little doubt that this objective played a more important part in Mr. Butler's decision than the desire to bolster up sterling with the aid of attracting foreign short-term funds.

The stability of the British price level during a great part of 1953-54 gave way in recent months to a rising tendency. It is true the rise was largely confined to foodstuffs in which there is a world-wide shortage, such as tea, meat and butter. Even so, rapidly expanding purchasing power due to the wages spiral undoubtedly played an important part in it. The ease with which business firms are able to obtain credit from their banks has been largely responsible for their competitive bidding for labor, which in turn has been one of the causes of the rising trend of wages. At the same time the expanding trend of purchasing power has induced most industries to take the line of least resistance in face of wages claims, in the certain knowledge that the ultimate buyer would pay the increased costs.

To this inflationary undertone was added the extra demand resulting from the growing popularization of installment buying. The Government is not hostile to this development and has no desire to check it or discourage it. Bnt it was important to counteract to some extent its inflationary effect. It was considered preferable to do so by applying conventional methods of general monetary control rather than restoring specific restrictions on installment selling. Higher interest rates are not likely to affect the volume of installment selling to any extent because interest rates paid by buyers are in any case so high that an increase of ½% would not make any difference.

It is reasonably safe to assume that in his decision Mr. Butler was primarily influenced by a desire to check inflation. It is less safe to speculate on the possibility that his ultimate motive was to prepare the ground for major tax concessions in this year's Budget. Admittedly the likelihood of a General Election later this year makes it politically expedient to reduce taxation. The picture has, however, another side. Any really substantial tax concessions would release purchasing power which, if superimposed on the existing inflationary tendency, is liable to cause a fairly substantial rise in the cost of living. The disinflationary effect of an increase of the bank rate by ½% is bound to be moderate. While it might prepare the ground for minor tax concessions, it is doubtful whether it would be sufficient to offset the effect of really substantial "electioneering" tax cuts.

From a political point of view the level of the cost of living is much more important in Britain than the level of taxation. We have all grown used to the existing high taxation, but any increase in the cost of living is bound to divert votes to the Socialists. It would be politically shortsighted to assume that electors would be grateful for tax concessions received in April and would vote for the Government some six months later. In the meantime any inflationary effect of the tax concessions would cause a further rise in the cost of living, which would be liable to be remembered on polling day.

The application of the brake in the form of higher bank rate seems to be somewhat inconsistent with the over-buoyant optimism displayed by Government spokesmen in recent months. The psychological effect of pronouncements by Government spokesmen and of official slogans (such as "Invest in success" or "Don't be afraid of prosperity") must have contributed in no slight degree to the boom-like atmosphere which is now being corrected with the aid of the higher bank rate. Possibly the display of a more guarded official attitude might have made the increase superfluous. In any event, however, the higher interest rates are not likely to cause much damage to business in existing circumstances.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James K. Steel has become affiliated with Dean Witter & Co., 632 South Spring Street.

Puget Sound Utilities Join to Assure Adequate Power in Area

By FRANK McLAUGHLIN

President, Puget Sound Power & Light Company

Group of utilities, composed of Seattle and Tacoma municipal systems, local public utility districts, and the privately owned Puget Sound Power & Light Company, form a Council to achieve cooperation in expanding their power resources. Objectives approved by Secretary of the Interior.

The most important and constructive development power-wise in 1954 as far as the Puget Sound-Cascade area is concerned was the establishment of the Puget Sound Utilities Council, composed of the Seattle and Tacoma municipal systems, the Snohomish and Chelan Public Utility Districts, and Puget Sound Power & Light Company. The Council has been enthusiastically endorsed and widely supported as constituting the ultimate in the National Administration's partnership concept — as representing an enlightened and soundly premised approach to the achievement of adequate, low-cost power and the economic growth of the area, and as evidencing a new era in electric power in the Puget Sound-Cascade area — with the utilities seeking to resolve their common problems on a cooperative basis for the common good, and thus creating the healthier "climate" essential to their own well-being and that of the people of the area.

Frank McLaughlin

The Council came into being so that the Puget Sound-Cascade area would have a solid foundation powerwise for anticipated rapid economic growth. The chronic power shortages and the stunted industrial growth of the past, and the conflicts and controversies of all sorts as to future development of the Pacific Northwest's power resources, made it abundantly clear that dependence on the Federal Government, or others, for an adequate power supply for the Puget Sound-Cascade area is suicidal. The inherent soundness and strength of the Council is derived from the fact that thereby the people of the Puget Sound-Cascade area control their own economic destiny, which otherwise they would be unable to do.

The basic merit of the Council rests in the dedication of efforts previously dissipated in conflict to cooperative action which seeks to provide the Puget Sound-Cascade area with adequate electric power at the lowest possible cost —to foster the realization of the area's vast industrial and other growth potentials and to effect the substantial savings and benefits inherent in joint planning and coordinated development of power resources, and in the maximum utilization of present and future facilities. The activities of the Council are carried on with the individual identity and local autonomy of the participating utilities fully preserved in their respective service areas, and all action taken is by unanimous decision.

The Puget Sound-Cascade area constitutes a natural geographic and economic entity. Therefore, the utilities serving this area have a community of interests, common problems and basic interrelationships. It is anticipated that the healthy economic growth of this area will require around 1,700,000 kilowatts of additional electric power during the next 10 years, involving estimated capital outlays in excess of half a billion dollars. With such substantial load growth, which necessarily involves the construction of large power projects, it is obvious that the lowest cost power for the area can only be obtained through joint planning and coordinated development by the utilities concerned.

The Council has currently under study and review new hydroelectric projects which aggregate 2,700,000 kilowatts. It now appears that the first major hydroelectric project to be constructed under the Council's and the National Administration's partnership concepts would be the 600,000 kilowatt Rocky Reach development on the Columbia River, for which the Chelan PUD has a preliminary permit and is currently making the necessary engineering studies. If, as anticipated, the project is finally determined to be of economic feasibility, the Chelan PUD would build the project — with the Federal Government expected, through appropriate legislation, to assume the cost of the nonpower features for which an initial appropriation is requested in the President's current budget— and with the other utilities of the Council purchasing the power produced in excess of the Chelan PUD's requirements.

Among the other projects which the Council has under consideration is a water storage development of some 10,500,000 acre-feet through the construction of a $250,000,000 dam at Mica Creek on the upper reaches of the Columbia River in British Columbia. It is indicated that the construction of this dam would make possible about 1,200,000 kilowatts of additional prime power in the United States section of the Columbia River as a result of providing such upstream storage, plus a substantial amount of power at the dam site.

The Council has also signed and submitted to the Atomic Energy Commission an agreement under which it is proposed to conduct certain studies pertaining to the use of atomic energy for the generation of electric power.

Specific Objectives of the Council

Perhaps the best idea of the Puget Sound Utilities Council can be obtained from the declaration of its objectives in the following paragraphs:

Declaration of Objectives of the Puget Sound Utilities Council

Whereas: The Puget Sound and neighboring Cascade area has exceptional prospects for rapid and diversified growth;

Whereas: Adequate low-cost electric power is presently the area's energy base and vital to its economy, progress and prosperity, and to the well-being of its people;

Whereas: The industrial growth of the area has been stunted in past years by insufficiency of power supply and recurrent shortages;

Whereas: Under the Interior Department's partnership concept the emphasis on Pacific Northwest resource development has been shifted from Federal to local levels;

Whereas: The Puget Sound-Cascade area must have assurance of adequate electric power at the lowest possible cost in order to achieve its excellent growth potentials;

Whereas: It is anticipated that the healthy economic growth of the Puget Sound-Cascade area will require around 1,700,000 kilowatts of additional electric power during the next 10 years, involving estimated capital outlays of in excess of half a billion dollars;

Whereas: Seattle City Light, Tacoma City Light, the Puget Sound Power & Light Company, and the Snohomish and Chelan Public Utility Districts have a special community of interest because of geographical location, common operating problems and certain contractual relationships;

Whereas: Under the circumstances of: the immensity of the size of future power requirements —the present-day high construction costs—the economic advantages of large power projects—the possible availability of atomic energy for commercial use, and other factors—it is only through the charting of a comprehensive, coordinated resource development program and cooperative action that the area can have assurance of adequate electric power at the lowest possible cost;

Therefore: It is resolved by Seattle City Light, Tacoma City Light, Puget Sound Power & Light Company, and the Snohomish and Chelan Public Utilities Districts that:

(1) These utilities agree it is their responsibility to take care of the total electric power needs of the Puget Sound-Cascade area for all purposes—including its industrial growth—and they intend to do so.

(2) These utilities recognize the mutual advantages, savings and benefits which will result from joint planning and comprehensive, coordinated development of power resources, and from the maximum economic use of facilities and will accordingly plan and work together so that the area's electric power requirements will be provided at the lowest possible cost.

(3) These utilities believe their plans can be dovetailed into any broader regional resource development programs which may be undertaken by other agencies and it is not proposed to assume the functions of any other entity or existing interrelated group, such as the Northwest Power Pool.

(4) These utilities agree that the first step is the providing of competent, independent engineering assistance for the making of load growth and other studies—surveys as to potential sites and the assembling of other pertinent data essential to determinations as to the scope, nature and sequence of the projects to be developed and the contractual relationships needed to be established to effectuate the objectives sought. (The first comprehensive report of the Council's consulting engineer will be available shortly.)

(5) These utilities agree to explore ways and means as to how —on a broad basis—they can best foster an expansion of the economy—aid in the creation of more jobs and larger payrolls—and help achieve the exceptional industrial and other growth potentials which the Puget Sound-Cascade area possesses.

(6) For the purpose of accomplishing the objectives as above set forth, and such others as may be mutually determined upon from time to time, these utilities agree to establish the "Puget Sound Utilities Council" on which council these utilities shall have equal representation.

The "Puget Sound Utilities Council" is a cooperative undertaking for the common good and has power to act only as the governing bodies of its participating utilities may authorize.

Secretary of Interior Supports Project

The program contemplated by the utilities composing the Puget Sound Utilities Council is strongly supported by Secretary of the Interior McKay in the following language quoted from his letter of April 23, 1954:

"I have just received a copy of a news release of April 13 concerning a meeting of the officials of several electric utilities of the Puget Sound region. . . .

"May I congratulate all of the participating parties in this meeting. I am keenly interested in your proposal because I firmly believe that such active and responsible interest on the part of the local utilities can be of the greatest value to the Northwest. The Federal Government, through the Army Engineers and the Department of the Interior, has played and will continue to play a very active part in the Northwest but it cannot nor should it assume the entire burden of supplying the power needs. Your positive action is the very best for the good of the Northwest and you may rest assured that if there is any way that my office or any of the agencies for which I am responsible can cooperate with or assist you, we will be delighted to do so."

The significance and far-reaching importance of the Puget Sound Utilities Council and its declared objectives are forcefully emphasized and enthusiastically endorsed in numerous local newspaper editorials. These editorials evidence a widespread public acceptance of the enlightened and cooperative approach on the part of the participating utilities. As stated by Dr. Paul J. Rower of the Seattle City Light, Chairman of the Council:

"The Puget Sound Utilities Council is interested in advertising in the East to change the thinking of Eastern businessmen, industrialists and banking and financial interests about investment opportunities in the Pacific Northwest. Talk in the past few years about power shortages and bickering between public and private power has tended to scare them off.

"By advertising in the East, we hope to show these interests that there is a new era in electric power out here so far as this Puget Sound Utility group is concerned. We want to show them how public and private power can work together to assure an area of an adequate power supply at the lowest possible cost."

Continued from page 2

The Security I Like Best

2¼ times the national average at rates less than one-half the average. Puget has embarked on a large load building program and large growth can be predicted. Earnings were about $2 a share in 1954 and are estimated at $2.25 a share for 1955. Within five years, earnings could be $3 a share with a $2.40 dividend and a possible value above $50 a share.

The company has above average stability since about 54% of revenues come from a residential business and only 12% from sales to industry. The quality of the stock is further improved since it brings through to the common stock over 20% of revenues.

The merger with Washington Water Power formerly proposed may once again be activated. If so, a new proposal would necessarily be at a higher price than Puget's current market price.

At the annual meeting to be held in the spring, Puget will vote on a 50% stock dividend. On the new shares, a dividend increase to possibly $1.20 a share (equal to $1.80 on current shares) is considered possible; the current rate would be equivalent to $1.14⅔.

With all these characteristics of a 5% yield, a very strong common stock equity permitting growth without dilution in one of the most rapidly growing service areas in the country, the possibilities of a higher value on a merger offer, and a 50% stock dividend, the stock has strong speculative and investment attraction.

Boland, Saffin & Co. Stresses N.J.'s Charms

Boland, Saffin & Co., 20 Pine Street, New York City, specialists in New Jersey municipal bonds, is mailing packages of Charms to a large list of municipal bond prospects to emphasize the fact that many nationally-known firms, of which the Charms Company is one, have found New Jersey 'an ideal place to locate . . . to grow and prosper." The promotion accompanying the candy points out that municipal bond income, like Charms, "is carried in many pockets all over the country.'

Form Sun Valley Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

SUN VALLEY, Calif.—Sun Valley Investment Company has been formed with offices at 8141 San Fernando Road to conduct a securities business. Officers are Ernest A. Baker, President; Robert Laun, Vice-President; Charles Forsch, Treasurer; and Milton Herman, Secretary.

Utility Financing And Atomic Power

By ELDRED H. SCOTT*
Controller, The Detroit Edison Company

Concerning the effects of atomic power on the Nation's $30 billion invested in the electric industry, Mr. Scott points out if the predicted accelerated growth in electrical facilities and output be accomplished, there will be every opportunity to introduce nuclear power facilities in an orderly manner, and that forced obsolescence of existing power plants can hardly become a major factor. Reviews alternative cost studies now being made, and predicts fixed charges will become relatively heavier under atomic energy.

We have had numerous talks and papers on the technical, political and safety features of atomic energy. There have been few comments on what is going to happen, *if anything*, to the $30 billion invested in the electric utility industry. There have been many promises and predictions of its commercial applications in five years, 10 years, *ad infinitum*. In the meantime our industry must obtain about $3 billion each year from investors to meet the insistent demands that are already on us. It is a sort of a joint responsibility of the security analyst and utility financier to help protect the funds already invested and keep additional amounts coming into the business for expansion now.

Eldred H. Scott

Over the years your society and others in the business of investments have paved the way for our operating and engineering people to obtain funds to make the steady engineering progress that has marked our growth industry using conventional fuels. Please let me assure you that the historical record of always securing funds has not lulled anyone in utility management into the belief that with the introduction of this new fuel, atomic energy, that we do not have an educational job to perform. This applies equally to its possibilities and its limitations. It is hard to maintain a proper perspective on this subject because of the many dramatic war and peace time applications in addition to its use in producing central station electricity. A continuous flow of investment funds is necessary.

"Growth" Has Been Generally Predicted

At this point it seems rather redundant to add my voice to the recurrent theme of future growth in the electric industry. Past performance says it doubles its output every 10 years and just about all of the pundits within and without the industry have expressed themselves as seeing little slowing up from this rate in the future. I certainly do not disagree with their estimates. To do so at this time would be most inopportune when all forecasts have become so bullish that Mr. Roosevelt's old expression has appeared with a new slant—"The only thing we have to fear is *lack* of fear itself."

Most all the published forecasts have been expressed in kilowatts of load or capacity and in kilowatthours of annual sales or output. These are the units that the great majority of the people connected with our industry are most concerned. Generally they see in 1975, or 20 years hence, a capacity of about 350,000,000 kilowatts as compared with slightly over 100,000,000 kilowatts at the start of 1955. I have expressed my future figures in dollars of investment because I know that is the unit of measurement with which you deal and are most familiar. (Table I.)

The vast projected expansion in electric power facilities required to meet ever increasing demands clearly indicates that there will be every opportunity to introduce nuclear power facilities in an orderly manner and that forced obsolescence can hardly become a major factor. It proves the economic truism that an expanding industry will enjoy a more rapid rate of technological advance than a static or contracting industry.

It seems to me that it is to the greatest interest of the investing public to encourage electric utilities to continue and intensify their efforts to develop this new source of energy. The investor's present stake in the industry is large and predicted growth will make it larger. This would be conservation of capital not in a static sense but in the dynamic sense of a profitable use of the best methods of productive activity. It will not be a case of sending good money after bad money because electric utility investments have been profitable in the past and they will continue to be so in the future.

It will require the joint efforts and understanding of the financial analyst, investor, utility management and employee, and of those in government. The old adage was never more to the point—"It takes money to make money."

Alternative Cost Studies Have Become Important

Heretofore alternative plant cost studies have had little place in the electric industry. With the advent of Atomic Energy these studies have become all important and they are even receiving front page attention. The problem has always been one of meeting the additional demand, thus there have been few alternative decisions whether the new business will be profitable or not. We have limited opportunities to influence the market. Admittedly we do make alternative cost studies as to the manner or method of serving but as a utility we must serve all comers. This limitation of the area of decision has meant a certain amount of frustration to a Controller carrying Work Order approval responsibilities as about 90% of our Budget each year is to provide for growth.

Technological progress has been continuous and at a steady pace. There have been no "heroic" inventions—that of an idea flashing suddenly from the brains of a single individual or company and effecting a rapid revolution in the art. Instead progress has been the work of the entire industry. This has been our approach to the problems of atomic energy. It is not strange that almost all the utilities have joined into several friendly competing groups to solve its many problems.

The only strange thing in the whole situation is to see this matter of alternative costs receiving so much attention.

KWHR Production Costs Have Been Rising

General accounting techniques do not combine the fixed charges for interest, taxes, depreciation, etc., with the direct costs of production to give us a clear picture if the actual cost trends of producing a kilowatthour at the power plant. It is necessary, therefore, to go to the Cost Engineer to get his estimated appraisal of the year to year trends in costs.

Power plant operating personnel usually measure progress in pounds of coal per kilowatthour. New equipment added over the years has enabled them to decrease the pounds of coal per kilowatthour by one-half in the last 25 years down to about .75 pounds per kilowatthour in one of the newer plants now being built. Due to other factors however the total cost, including *fixed charges* of producing a kilowatthour at the power plant, has been increasing. This is shown by the 10-year cost record of a large metropolitan utility which includes *all* charges. (Table II.)

Based on the price record of the past 10 years, using mainly coal as a fuel, the appearance of a competitive fuel such as atomic energy for the generation of steam for making electricity is all to the good. It is well worth experimentation and study from the cost aspect alone. Contrary to popular belief, production costs continue to increase. Inflation has bested technological advances and growth.

Transmission Limitations of Atomic Energy Generation

The installation of larger, more efficient generating units, sometimes remote from load centers, has brought with it many transmission problems. To obtain this higher efficiency it is necessary to concentrate a large amount of generating capacity at a single location. Also, because of more

Continued on page 34

*Paper presented by Mr. Scott before the New York Society of Security Analysts, New York, Feb. 2, 1955.

TABLE I

Investment in Electric Utility Industry Projected to 1975
(In Billions of Dollars)

	Investment 1955	Estimated Source of Additional Funds (Next 20 Years)	Investment 1975
Utility Plant (Gross)	$32	$78	$110
From Internal Funds—			
Depreciation Reserve	6	15	21
Surplus	3	6	9
	$9	$21	$30
From Investors—			
Common and Preferred	10	25	35
Long-Term Debt	13	32	45
	$23	*$57	$80

*Approaching $3 billion per year.

TABLE II

Power Plant Cost Per Kilowatthour *Sold
(Including All Fixed Charges)

	—(Cents per kwh. Sold)— 1943	1948	1953	Increase 1953/1948
Energy expense (fuel)	.255	.463	.418	—10%
Operating and maintenance	.092	.152	.142	— 7
Fixed charges	.232	.226	.347	+54
*Total cost	.579	.841	.907	+ 8%
Btu per kwh. output	12,530	12,880	12,100	
Fuel cost (¢) per million Btu	18.9¢	32.7¢	30.5¢	

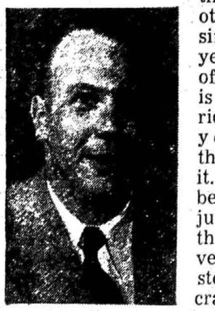
*It should be noted that the above figures are expressed in kilowatthours sold and not those produced. The unit cost is thereby higher than usually expressed due to losses of energy in transmission each year.

Depression Fears Groundless

By DONALD I. ROGERS*
Business and Financial Editor
The New York "Herald Tribune"

Commenting on the "worry" about a coming depression, New York financial editor contends the government has numerous effective devices, which can be used as double-edged weapons either to fight inflation or ward off recession. Lists six "built-in" stabilizers, and states "a depression is the last thing to fear."

We find that in the midst of all our mountainous prosperity, more Americans are talking about—and worrying about — a depression than at any other time since the off-year elections of 1937. This is a little curious, when you stop to think about it. Perhaps it's because we've just passed the 25th anniversary of the stock market crash and bad memories are being conjured up. Well, will there be another depression? Can we return to those bleak days of the early 1930's with bread lines and soup kitchens and Oakies and 12,800,000 unemployed Americans?



Donald I. Rogers

What these economists don't say is that the government has numerous effective devices which, at the command of officials, can be used as double-edged weapons either to fight inflation or to ward off recession.

Probably our minds would be less troubled if we took time to reappraise the amazing array of safeguards now available to prevent, or at least forestall, an economic catastrophe like the one that followed the 1929 crash.

Today there are built-in stabilizers which were either less effective or not in existence in 1929. These include:

(1) The Federal Reserve System, perhaps the most potent and least understood balance wheel of our economy. It can create money, withdraw money from the nation's business machinery, expand credit or limit it and can exert tremendous influence on the market for government bonds—those pieces of paper that represent the public indebtedness of all taxpaying Americans.

(2) The Federal Deposit Insurance Corporation, which insures savings and thrift accounts up to $10,000, so that if a bank should fail—an unusual event these days —the depositors will get their money intact.

(3) The Securities and Exchange Commission, which polices all securities and the stock exchanges with the result that there are few, if any, worthless stocks offered for sale through legitimate and established channels.

(4) The Council of Economic Advisers (now consolidated in one man, Arthur F. Burns), established under the Employment Act of 1946. Its duty is to detect the threat of recession or the indications of inflation and to recommend counteraction.

(5) Unemployment compensation, the state-controlled set-ups for supplying income to those laid off.

(6) The Social Security Administration, which aids an increasing number of Americans who have reached retirement age or are incapable of earning their own living.

The staff of the Economic Adviser to the President watches the fine balances of the economy with meticulous care and makes recommendations to the President and his Cabinet for provision of counteracting measures.

Those measures are extremely uncomplicated.

The group has standby plans for a recession. Within two or three months it can set in motion huge government programs which would give employment to hundreds of thousands of persons.

It has plans for building elaborate new highway systems. It is said that the nation needs up to $70,000,000,000 worth of new roads whose construction has been delayed since the outbreak of World War II. It has plans also for new bridges, new schools, hospitals, irrigation projects and numerous other public works programs.

The main job of the Adviser is to see that there is a high level of employment. In this it works closely with government departments and bureaus. When the Department of Labor reports that a city has more than 6% of its population unemployed and that area becomes classified as "critical," government defense contracts are channeled to industrial plants in the afflicted community.

These are the principal man-made built-in stabilizers to help us avoid another 1929. It's comforting to think of these things. They're like cops on the beat protecting your property while you're occupied with other chores.

But actually it's a little silly to compare our economy today with that of 1929.

National income today is 241% higher than it was in 1929—that boom year before the bust.

Two hundred and forty-one per cent!! Is this just inflation?

Hardly, when the Gross National Product, that total measure of the output of goods and services, is up by 241%.

And the disposable income of Americans—before taxes—is up by 204% over 1929.

Yet it costs us only 56% more to live than it did in 1929.

Beyond these mechanical economic facts and the man-made safety devices there are natural factors protecting us from another depression.

More Americans

One, watched with mounting interest by economists, is the miraculously rapid growth of the nation's birth rate. It is now calculated that by 1970 or perhaps even sooner, we will have a consuming population of 200,000,000 Americans, if the present rate of population growth continues. Until recently, statisticians had figured we wouldn't be that populous until almost the year 2000. All these new Americans, consumers all, will mean more and more employment for American workers as their demands for food, clothing and shelter are met.

In some countries this would not be so. In agricultural nations like China and India or in economically unbalanced nations like Italy, a whopping population increase causes problems.

But within our free-enterprise system we have built up a unique version of capitalism. Ours is not a system of conservation, nor even a system of production. We are a nation of buyers and suppliers. The more we buy, the more we have to supply — and the more employment is created.

Consumer wealth in the United States has risen above three-quarters of a trillion dollars—an increase of more than 50% since the end of World War II, as determined by a study made in 1953 by the National Industrial Conference Board.

Consumers' asset holdings such as cash, insurance, homes, business interests and other easily salable possessions are now in excess of $800,000,000,000. Against this, there are offsetting debts in the neighborhood of $100,000,000,000.

Half the families of the nation now have a net worth of $7,500 or more. A sixth of all families own more than $30,000 in net assets. Less than a tenth of all families have more debts than assets.

Even more significant is the fact that the four-fifths of all families who earn under $5,000 a year own nearly half the nation's wealth. These are the buyers, the spenders. They are also usually the suppliers and the workers.

Bulwarking our prosperity is the development of foreign markets for American goods and American capital. As time goes on there will be an increasing investment in foreign enterprises by Americans with, it is expected, happy results at home.

Economics students have made much and written volumes on our economic dependence on government spending. Some economists believe this has been overemphasized. Even so, there will be a considerable defense budget in the United States as long as the Communists are abroad in the world. It is unlikely that in the lifetime of anyone here there will be a serious cutback in government spending for defense.

No matter what the world situation brings, we'll probably spend 15% to 25% of our national personal income for defense or foreign aid. In the wartime 1940s we spent about 25% for these items.

But spending is what makes our economy move, what makes us prosperous.

Most encouraging is the fact that no matter how much Uncle Sam spends, the consumers manage to dwarf his spree, and that's what makes the economy so healthy. Consumers spend much more than business and government combined — nearly three-quarters of the total national spending.

As long as this keeps up, as long as Americans continue to spend their money as it comes in so that they might, in turn, earn more—as long as Americans want new and better cars, homes, appliances, clothes and "things"—then prosperity should stay with us.

Economists say there's no need to worry. They say:

We're just entering the atomic age, yet we're hardly scratched the chemical age or the electronic age. Before us there are tremendous achievements and glamourous unknown fields to conquer.

Why be afraid? A depression's the last thing to fear.

*Excerpt from an address by Mr. Rogers before the Women's Bond Club of New York, New York City, Feb. 7, 1955.

Joseph L. O'Brien Co. Formed in Philadelphia

PHILADELPHIA, Pa.—Joseph L. O'Brien Co. has been formed with offices at 1500 Walnut Street to conduct a general securities business. Officers are Joseph L. O'Brien, President; Frank J. Keller and John T. O'Brien, Jr., Vice-Presidents; Edward J. McGuire, Secretary and Treasurer; and John Heron, Assistant Secretary and Assistant Treasurer. All were formerly of Carr O'Brien Company.

Hooker & Fay Opens Honolulu Office

Hooker & Fay, members of the New York and San Francisco Stock Exchanges, have opened an office in Honolulu under the direction of Albert L. Hoogs, resident partner, and Joseph T. Ahuna, resident manager.

From Washington Ahead of the News

By CARLISLE BARGERON

The United States Information Agency, the USIA in the Washington bureaucratic alphabet, and the Foreign Operations Administration, FOA, have weathered a lot of storms under the various aliases with which they have been presented to the American people, but I have a hunch they may have now met their master in the person of Eugene W. Castle who made a fortune out of home movie films. The bureaucrats involved are already rushing up to Capitol Hill in an effort to ward off Castle's first onslaught.

Carlisle Bargeron

This is in the form of Castle's book, "Billions, Blunders, and Baloney," which has enjoyed an unusual advertising splurge in New York and Chicago and Washington, and which is selling widely in these cities. Bureaucratic Washington which is sensitive to any sort of outbreak against the vested interests of Bureaucracy, particularly those offering such luxurious living as our foreign aid and propaganda programs, has cocked up its ears.

It has heard these attacks before but managed to glibly ease out of them. Indeed, almost coinciding with Castle's book, Senator Ellender of Louisiana has reported on a second investigation which he made of our overseas aid and propaganda installations for the Senate Appropriations Committee. There is a lot of dynamite in his confidential case reports which is not reflected in the summary he has made public. But the summary is serious enough, particularly in its charges that the laws laid down by Congress in appropriating the foreign aid and propaganda money last year have not been adhered to.

For example, under the so-called technical aid program, by which this government is supposed to supply the experts or the know how, it is actually putting up the money for such things as railroads in India, and similar heavy projects in such places as Jordan.

Not being in politics, Castle doesn't mince any words. He says that in the six year period since 1948, the U. S. has spent more than $40 billion for economic and military aid abroad plus more than half a billion dollars for overseas propaganda.

"No nation, since the beginning of history," he says, "has spent more money trying to win the friendship and confidence of foreigners than the United States." But his study, based upon 75,000 miles of travel over a period of three years in Europe, the Near East and Central and South America convinces him that our accomplishment has been to make enemies. Some support, at least, for his conclusion, comes from the Scripps-Howard foreign expert Ludwell Denny, who reported in his papers of Sunday, Feb. 6, that the "Yankee Go Home" attitude of France was more serious than the downfall of Mendes-France.

The brunt of Castle's attack is against the USIA which is frankly just about the silliest endeavor in which our government has ever been engaged. In this highly intellectual enterprise which is supported by our college presidents, professors and editors, particularly the eastern group of them because it affords them such lucrative and enjoyable jobs, we insist upon maintaining expensive libraries in such places as London and Paris which have first class libraries of their own and in which we could easily display our cultural wares. Then we also operate libraries in countries of 90% illiteracy. We also maintain a "news" service to duplicate to overseas nations the reports of the Associated Press, the United Press and the International News Service to which the overseas newspapers subscribe, not to mention their own correspondents which they maintain in this country.

There is really nothing new in all this. Since the Voice of America was first set-up it has been the target of the Republicans on the appropriation committees of Congress. At one time it was disclosed there was a predilection on the part of the foreign propaganda managers to place the works of Communist and pro-Communist workers in the libraries abroad, to have Communist or pro-Communist voices on the "Voice."

These Republican appropriation committee members would likely as not succeed in knocking an insignificant sum out of the appropriations sought for this work. The reduction would have been anticipated by the foreign propaganda managers in their original requests, you can rest assured, and the net accomplishment of the appropriation committee members would be nil.

Castle points out, however, that the Republicans, in office for more than two years, show no disposition to really remedy matters.

He is worth reporting on because he is not the type of man to be just another complaining voice. He is a human dynamo. I have known him for several years and I would hate to have him on my neck. My guess is that the USIA and Harold Stassen's FOA will have a hard time getting him off their necks. He has the money, he has plenty of restless energy and he is, rightfully to my mind, full of indignation.

The Short-Term Business Outlook

By DEXTER M. KEEZER*
Vice-President & Director of Economics,
McGraw-Hill Publishing Company

After analyzing recent short-term business forecasts and noting almost complete agreement, Dr. Keezer warns "when economists are well agreed it is a cause of alarm." Says key indices of business conditions indicate we have been through a very mild recession and are on our way out again, "due to fact that forces working to expand business" no longer must work against the heavy drag that pulled it down from the postwar peak. Discusses stock market influences and sees Federal Government exercising tremendous leverage on business. Concludes, "the economy is not going to be knocked off its base by a speculation wave."

It is obviously no test for forecasting talent to make the conventional business forecast for the year 1955. Such an operation is far too easy. It is a cinch to see that business in general is going to be very good in 1955, and substantially better than 1954 which itself has been correctly characterized as our most prosperous peacetime year. Also the repetition of this general forecast has become rather tiresome. It has been made over and over again during this open season for 1955 forecasts.

Dexter M. Keezer

I don't propose, however, to try to add an element of novelty to my contribution here by disagreeing with the general expectation of the forecasting economists. Of course, I am well aware of the view that when economists are well agreed on the business outlook it is cause for alarm. However, I can assure you that this is a canard. The truth is that when economists are well agreed the chances are that they are right. This is true if for no other reason than that, as a craft, they are skilled in reading the portents of what lies ahead for business, and the portents are steadily being improved in quality. I suggest that you put down as the work of dangerous subversives the idea that agreement among economists should be cause for misgiving. Perhaps a Congressional committee should investigate.

But, in view of this general and often repeated agreement about the outlook for 1955, I propose to hurry through the general business forecast which, I take it, my duty here calls upon me to make, and hurry on to some of the more obscure and challenging aspects of the outlook.

As a take-off for a discourse on where business is going it is probably not amiss to indicate where it stands right now. This, unhappily, is not as simple as it sounds. I recently heard Mr. Gwilym Price, the President of Westinghouse, remark that he was reasonably confident where our economy would be ten years from now but didn't know just where it would be next Monday. This is not the half of it. We don't know just where the economy was last Monday or last month for that matter. The explanation is found in statistics which are both late in arriving and defective when they do arrive.

However, it is reasonably clear that, in terms of the overall volume of business, we hit the bottom of the recent recession in July and are now ascending again. From its all-time peak rate of $370 billion in the second quarter of 1953, the Gross National Product—the best general gauge of business activity available — declined to about $355.5 billion in the summer of 1954, or about 4%. From that low it is now running at somewhere near a rate of $360 billion, up $4.5 billion from the bottom. (These figures are seasonally adjusted.)

The swing in the volume of industrial production has been somewhat more violent. The reason, of course, is that part of our consumption has been coming out of inventories instead of new production. From a peak of 137 in July 1953, the Federal Reserve Board index dropped to 123 in July 1954, a drop of about 10%. Now it has recovered about 6% of that drop, and the current reading would probably be about 130.

Of a total civilian labor force of about 64 million, about 3.5 million appear to be looking for jobs without finding them. Worked out on a seasonal basis, this is about 1.5 million more unemployed than we would have had if we had been able to sustain the all-time high level of employment we hit in August 1953, when we had only 1.2 million unemployed. But, again worked out on a seasonal basis, the current rate of unemployment represents a decline of about 700,000 in the volume of unemployment since August 1954.

"On Our Way Out Again"

All of these key indices of the state of business tell the same general story. We've been through a very mild recession and are on the way out again.

But the question with which we are primarily concerned, of course, is not where we are nor where we have been. It is "where do we go from here?" The answer, as I indicated at the outset, is that business is going to keep on getting better. Where the Gross National Product was approximately $356 billion in 1954, it will be about $365 in 1955, an increase of $9 billion, or about 2½%.

It may seem quite bold to make a specific forecast of this type. But I'll let you in on a trade secret. It really isn't. Predicting what is going to happen to the Gross National Product is one of the less hazardous forecasting operations. The reason is that it is such a ponderous statistical total that it has about the same capacity to change speed and direction fast as a glacier. Besides, if the forecast turns out to be wrong, it is always possible to contend that the statistics were at fault — and perhaps be right about that, too.

Why is it so easy to be sure that business will be on the upgrade this year? The short answer is that the forces working to expand business no longer have to work against the heavy drag which pulled business down from its postwar peak during the Korean boom. And most of these forces still have great vitality.

As you all know, the drag which produced the recession was compounded primarily of a cut in government expenditures and liquidation of business inventories. A minor role was played by a small reduction in business expenditures for new plant and equipment.

Now that's all, or virtually all over. Little or no further decline in government expenditures is in prospect (when state and local as well as Federal expenditures are taken into account). The liquidation of business inventories has run, and in some cases over-run, its course. And the level of business investment in new plant and equipment will be moving up again shortly. (A couple of months ago, when we made a preliminary check on plans to invest in new plant and equipment in 1955, it showed a decline of about 5% from '54 to '55. But developments since have indicated that there will be little or no decline. One of these developments was a jump of 29% in our McGraw-Hill index of new orders for machinery in November. One business analyst of eminence remarked to me that for him this was by all odds the most important business news of the season.)

Major Economic Forces of Expansion Growing Strong

If there is no decline in business investment in 1955, I guess it is axiomatic that the trend of this investment will be up as the year moves along. This is because the trend has been slightly down in 1954.

In the meantime, the major forces of expansion in our economy are going strong. The most important of these, of course, is consumer expenditures. This accounts for about two-thirds of the nation's total volume of business, as represented by the Gross National Product.

The idea that there was a recession never did grip the imagination of the American consuming public. In fact, the annual rate of consumer expenditures hit a new all-time high of about $235 billion a year at the very time (the third quarter of last year) which will probably go into the record books as the bottom of the late recession. This performance, of course, accounts primarily for the fact that the recession was so mild. And the consuming public has in prospect what it takes in the way of purchasing power to keep on making new highs in consumer expenditures for some time.

Another major contribution to the mildness of the recession was made by a housing boom which refused to be guided by the findings of most of the forecasters, and cool off. Alas, my associates and I were among those whose findings about its dimming prospects the boom refused to follow. To be sure, it was given a major lift by new Federal legislation which extended the terms on which one may buy a house much further toward nothing down and eternity to pay.

If the housing boom is to be kept going indefinitely it may be necessary to provide a bonus feature for prospective house buyers. I have requested free baby sitting a possibility. In spite of what some people find disturbing increases in vacancies, the housing boom has what it takes to produce a larger volume of housing in 1955 than was produced in 1954. So does public construction of schools, highways, etc.

When you have taken into account consumer expenditures, government expenditures and business expenditures that is all there is to business in the United States, there isn't any more. And when all of these major elements have either stopped going down or are going up again, the conclusion is inescapable. You have the prospect of an expanding volume of business in 1955.

What About Prices and Labor?

Well, then, what is there to worry about or talk about? Judged by the questions which pour into our office there are quite a few fractional aspects of the outlook which present engaging puzzles. What is going to happen to prices? Is our labor force and labor productivity going to increase so fast the we will be plagued by a serious unemployment problem in spite of an expanding volume of business? And, loudest of all, what will happen to the stock market? Will the growing speculative enthusiasm simmer down? Will it develop into a rip-roaring boom? And if it does, will the market then crash with a sickening thud?

Questions About the Stock Market

To deal with questions about the stock market one must, of course, be slightly psychic. For the relation between what goes on in the stock market and business generally is tenuous, to say the least. Happily, however, I have the right credentials. Almost a year ago (on March 23, to be exact) I publicly delivered myself of the expectation that when a turn in business came "a rousing speculative boom, probably though not necessarily centered in the stock market, will not be far behind." I might add that my associates in guaging the business outlook were so little impressed by this vision that I virtually had to bootleg it into a report on business prospects.

Well, we have had a turn in business and along with it the burgeoning of the speculative boom. To be sure, the economics of the situation argues for caution in stock market operations. As measured by almost everything except dazzling expectations of future wonders, the stock averages are high. They are high as gauged by past relations with earnings, or by long-term interest rates or by book values.

But there is no reason to expect that to prevent the stock market going on up, with pauses now and then. Nor will restrictive actions, such as raising margin requirements, which the nation's monetary and credit authorities will be disposed to take. The disposition of these authorities to use really strong medicine will, of course, be tempered by great reluctance to do anything which might put a crimp in business expansion generally.

And then, of course, the stock market will come down again—with quite a thud. I must defer giving you the exact dates of these developments until a little later.

Also I must and do absolve myself from any and all responsibility for offering anything in the nature of stock market tips. What I have to say here about the stock market belongs strictly in the realm of the higher calculus—you might almost say in the realm of supernatural. Absolutely no mundane advice about when to buy or sell is being offered.

But when the stock market comes down again — and this is the key point so far as the business outlook is concerned—there will be no repetition of the sort of shambles we had when the stock market fell apart in 1929. The reasons lie in the great structural changes in our economy in the past 25 years. Recognition of these changes is basic to any useful apparaisal of the business outlook.

One of the most dramatic of these changes lies in the tremendous decline in the importance of the business transacted in the stock market as compared with the business conducted by the

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*An address by Dr. Keezer before the Eighth Annual Forecasting Conference of the Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa., Jan. 13, 1955.

Credit Analysis Has a Place In Mortgage Banking!

By CARTON S. STALLARD*
Vice-President & Secretary, Jersey Mortgage Company

Contrasting the early mortgage lending practices with the more recent improvements in investment policies, Mr. Stallard discusses the credit approach to mortgage lending and how institutional lenders can or should analyze credits of applicants. Lists as the three most important points which should be considered in analyzing credit: (1) the mortgagor's character and family life; (2) his past attitude toward obligations; and (3) his capacity to manage his affairs, financially and otherwise

In order to clearly understand credit analysis in respect of the modern mortgage, we must first review the procedure followed in making mortgage loans before the long-term loan came into existence. Very little consideration, if any, was given to the borrower's ability to repay a mortgage debt 30 years ago. At that time, when an individual applied for a mortgage loan, the mortgagee would have the property appraised, and a loan would be granted in an amount anywhere from 60% to 70% of the value of the property offered as security. The mortgage usually was written for a short period of time (from one to five years) and, in most cases, did not provide for any curtailment of principal. When a loan matured, the mortgagee would generally renew it, and charge the mortgagor a renewal fee. In some cases a mortgagee would make up his portfolio of open mortgages. This was done with the idea that the mortgagee could call in his loans in the event that he found it desirable to make a greater portion of his assets liquid.

Carton S. Stallard

Of course, the unsound feature of these unamortized loans was that they were never called in or not renewed as the case may have been, except during time of economic stress. Generally speaking, when a man is not forced to save, he doesn't and when loans were called in during the period of economic strain, both the mortgagor and the mortgagee were in very serious difficulty. Also, since all lending institutions are in relatively the same position during recessions, there was no one on hand to do any refinancing.

As I just mentioned, the majority of mortgagors didn't put aside any money to pay off their mortgages since they were not forced into liquidating their loans via monthly amortization. Finally, when the mortgagee was forced to foreclose his lien and try and sell the property to recoup his losses, the real estate market had so dropped that he was unable to realize enough from the sale of the property to regain his principal.

The lesson that was learned was one of basic investment lending policy. Obviously, the borrower was unable to save, earn or accumulate sufficient money to repay the debt at the end of the short contractual period since he was under no obligation to reduce the mortgage. All he had done was pay the interest and taxes. He was no nearer to home ownership than when he first incurred the debt. Practically every loan on one to four family houses appeared to follow this pattern and, from the experience of this period, the modern concept of a mortgage was developed, primarily with the creation of the FHA. A long-term mortgage loan was made available to the borrower, at a reasonable interest rate, with a constant principal payment feature which provided for the loan to be repaid well within the life expectancy of the borrower and the improved real estate. In addition to the regular monthly payment to interest and principal, a provision was made to pay real estate taxes and hazard insurance monthly. This permitted the borrower to budget his finances as he was not forced to make a large lump sum advance at any one time. This is the basis on which the creators of the long-term mortgage, as we know it today, have developed modern mortgage procedure.

Another aspect of the early mortgage picture that should be mentioned is the second, third, and sometimes, fourth mortgage. A man seeking a home in the 20's was no different from the man seeking a home today. For the most part he did not have the 30% to 50% cash for the down payment, and had to resort to the second mortgage shark who charged substantial premiums and high interest rates. This placed a further burden on the borrower who sought eventually to own his own home. With the advent of the long-term mortgage, the percentage of loan to value of security substantially increased, for it has through experience been concluded that if the loan can be extended sufficiently so that it can be repaid monthly in amounts which the average purchaser can readily meet, a much sounder mortgage transaction results, regardless of the size of the mortgage.

New Credit Approach

With this background, I will now discuss the credit approach to this new mortgage concept and how institutional lenders analyze credits of applicants.

Today, we are faced not only with a small down payment loan but with the largest volume of one family houses ever to come into the market, in respect of which no down payment is required and full mortgage loans must be arranged. As a matter of fact, in certain parts of the country, the buyer does not have to invest any cash, even in the payment of closing charges. The mortgages are arranged in amounts sufficient to cover the full purchase price plus closing costs and legal fees. Such transactions are commonly referred to in the trade as "negative down payment deals." When these closing costs are added to the amount of the allowable mortgage by the Veterans Administration, which is 100% of the value of the property, the resulting mortgage sometimes runs as high as 105% to 107%. No institution would make this type of loan without the guaranty of the Veterans Administration and, in the case of the high percentage Federal Housing Administration loans, without its insurance. Therefore, both agencies have had to make a complete study of borrowers' credits and have arrived at certain sound approaches in analyzing such credits. The FHA uses the following procedure:

The FHA will not undertake to analyze a mortgage credit until a complete appraisal of the mortgage security has been made. From this appraisal, the cost of utilities, heat and maintenance is established, and added to the monthly carrying charges; that is, principal, interest, tax, and hazard insurance. The total thus derived is then compared to mortgagors' net effective monthly income.

The appraisal also serves to determine if the mortgagor is buying a home suitable for his particular needs. The FHA will not insure a loan where the house is obviously inadequate (in size) for the mortgagor's family.

Sound Underwriting Principles

It is the aim of FHA to encourage home ownership. However, they appear to be guided by sound underwriting principles. A mortgagor's net effective income is determined by deducting Federal income tax from his base pay. Generally speaking, the total monthly carrying charges—as determined above—should bear a reasonable ratio to the net effective monthly income. But all sources of income are not considered effective. Sufficient income should be derived from the mortgagor's principal employment without the benefit of overtime or bonus. These latter items will be considered only if it is an established practice in respect of the type of job, and is the general policy of the employer.

Earnings from part-time employment are considered if the hours are not too burdensome; there is no conflict with the mortgagor's principal employment, and the work is otherwise of a creditable nature. Income from roomers or boarders in a one-family house is not considered. Income from investments of reliable sources and from disability pensions, is added to the effective income. While fringe benefits paid for by employers are not evaluated by the FHA, they definitely take them into consideration. The monthly payment on extraneous obligations is added to the total monthly expense, unless the balance is small and has only a short term to run. The income of the wife can be considered to offset the expense of any normal extraneous obligations. By the same token the wife's income can be added to the effective net income, unless she is quite young and recently married. However, small children can render the wife's income useless. Scheduled increases in salary will not be considered beyond a six-month period, and seasonal occupations are viewed with caution and carefully examined for stability and past success.

The background and character of the mortgagor is established by a review of his application and credit report. Litigations are usually fatal to an application unless satisfactorily explained. Domestic difficulties and inharmonious family relations are equally fatal to an application. The age of the mortgagor is not too important if he can establish sufficient economic stability; although the term of the loan may be affected. Original equity is always given considerable weight, and may often offset one or more of the unfavorable features mentioned above.

A similar procedure, although not as clear cut is being developed by the Veterans Administration:

The V. A.'s approach in examining credit is more sympathetic to the veteran, always with the thought in mind of enabling him to procure a home. The strict underwriting principles as followed by the Federal Housing Administration are not as closely adhered to by the V. A. and it would appear that the average mortgagee who is accepting V. A. guaranteed loans, should examine the credits closely, applying its own sound underwriting principles. I might state, in passing, that in our experience we have found that the percentage of defaults on V. A. guaranteed mortgages is no greater than the percentage of defaults on FHA insured mortgages, which seems to prove that the underwriting of borrowers' credits is being done satisfactorily.

Credit Formulas for Experts

In addition to the procedure established by the Veterans Administration and the Federal Housing Administration, lending institutions are constantly perfecting formulas which experts on credit can apply, so that the institutional lender can set his own pattern and integrate it with the approach and analysis made by the respective governmental agencies.

Let me say here, and very emphatically, that the institutional mortgagee prefers a down payment in every loan transaction, if it is at all possible to secure one. However, let me also say that we have found by experience that unless the down payment is substantial, and I mean more than 5%, the borrower will walk away from the property almost as quickly as the borrower who originally put no money in the transaction, in the event he loses his job, has marital difficulties, illnesses or other problems that may cause a default or prevent his making the mortgage payments. In analyzing mortgage offerings, great weight must be placed on the character and financial stability of the borrower. Most credit experts with whom I have discussed this problem point out that although basic formulas are set up and basic patterns are followed, consideration must be given to the merits of the individual, particularly in the case of a fringe borrower, and every one will admit that the fringe borrower must be included to build a large mortgage portfolio.

With this background, the general review of borrowers' credits would appear to follow various examples, as set forth hereafter:

If the borrower is old enough to have established a pattern so far as the management of his personal affairs is concerned, in viewing the credit, weight is given to such established pattern. For instance, if a borrower has been employed for several years by a nationally known company, or if by a local company, one of good reputation, financially and otherwise, and it is found that he has made average or above average progress during the period of employment, is married and is establishing a family, has paid his bills in a satisfactory manner, and has good savings habits he would be considered a good mortgage risk.

On the other hand, a man with an equal income, who possibly has changed his position (including type of work) frequently during a short period of time, has had marital difficulties, has a questionable credit record, and possibly has been in some difficulty with the law would be considered a poor mortgage risk. An application from the latter type of individual would necessarily have to be treated with a great deal more caution. Consequently, the margin between the amount of the debt service and the income of the second borrower, would have to be much greater than the margin between the debt service and the income of the first borrower described. To go further, it would appear that the first borrower would be more likely to satisfactorily maintain his property without any down payment, than the second borrower would with a down payment of possibly as high as 10% or even 20%.

After analyzing the history of the borrower, it is important to determine his present status. One borrower may be employed by a large utilities corporation or a nationally known company where it is customary to have promotions based upon seniority, have civil service status, or have pension plans and other employee benefits available that have the effect of augmenting his income. A borrower of this type would be more attractive as a risk than one who is employed by a small company which does not offer these fringe benefits. Also, the income derived by the latter borrower cannot be considered as stable as the former.

It must be borne in mind that a borrower contracts to repay a mortgage debt over a long period of time and his continuity of employment is of the utmost importance. The age of the borrower, his educational background, if it can be learned, and the general character of his home life, can be very helpful in determining the ability and the earnest intention of a borrower to repay his indebtedness. All of this must be carefully considered. Most of the information can be obtained through the medium of a credit report and a properly worded application. Of course, the ideal method of securing this type of information is to have a personal interview with each borrower, but in this day of stream-lined business methods and volume operation, this is not practical nor possible.

The next step is determining the effective income of the borrower. A good many borrowers claim overtime pay, bonuses and other supplemental incomes. This requires careful analysis and in most cases the effective income considered in placing the loan will be only that which the employer has contracted to pay him, no consideration being given to any fringe benefits. In analyzing any income from his spouse, the possibility of pregnancy always must be considered in respect of the younger borrower. It is considered, for example, in the industry, that the chances of a registered nurse or a wife with stenographic or secretarial experience continuing to assist financially in the operation of the home after she has had a family are better than those of an unskilled worker.

As I have already set forth, the previous credit experience and the character pattern of the borrower is important. A great deal of emphasis must be placed upon the borrower's ability in carrying previous obligations such as rent, mortgage, other housing costs, charge accounts and installment purchases. For instance, if his monthly housing costs have been equal to or even slightly less than the contemplated mortgage payment, and he has successfully met them, regardless of affects on his income and ability to work, within reason, he will see to it that any indebtedness he incurs is not beyond his means, and will successfully carry any mortgage payment obligation he assumes.

Points Learned from Recent Housing Boom

I would like to now discuss some of the points that have been learned from the recent housing boom, in considering the eligible borrower for the purchase of an appropriate property. It is most important that the borrower purchases a home in a neighborhood in which he belongs, both socially and economically. It is obvious that buying in a location where a borrower cannot afford to live, has a tendency to discourage him with the result that he neglects his property and quite possibly may ultimately lose it.

Also, it is conceivable that one who buys in a subdivision or neighborhood where his neighbors are below his social or economic status, will be unhappy, and again his home will become of secondary importance to him. Such credit

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*A paper by Mr. Stallard presented at the New York University Mortgage Bankers Conference, New York City, Jan. 26, 1955.

"The Three Naughty Ladies Of Insurance Lane"

By FORREST E. HAVER, JR.

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Mr. Haver, calling attention to the heavy hurricane losses experienced by insurance companies during the past year, points out that because of the diversified fields of operations of most insurance companies, these staggering losses have been offset largely by profits gained from other insurance lines and from investments. Looks for favorable balance-sheet reports of most insurance companies for year 1954.

The year 1954 will probably go down in insurance annals as the year fo alphabetical malfeasance, with three muscular young ladies —Carol, Edna and Hazel by name —the something less-than-charming perpetrators. What had started for the insurance industry as a year rivaling the fabulously profitable 1949, was suddenly "gone with the wind," all within the space of less than seven short weeks.

While it is still too early to state exactly the total insurance payments which will result from the 1954 hurricans, it is now estimated that the three storms, Carol, Edna and Hazel, will cost the insurance industry in the neighborhood of $275 million, of which about $100 million will be borne by the reinsurance underwriters at Lloyd's, and $150 million by our good friends the stock companies.

These losses are indeed sizable and mean that for the fourth time in five years, "extended coverage" will show a loss. While it is all very well to say that the law of averages or actuarial tables indicate that such an experience over a five-year interval is impossible, the fact remains that these losses have been or will be paid and that we are now off into a new year, 1955, with a wary eye peeled for any new sortie by one of these upsetting young ladies of nature who made themselves so violently manifest during the summer and fall of 1954.

But as one swallow does not make a summer, neither does one unprofitable line necessarily make for disaster in the insurance industry. Fortunately, and this is where diversification lends a hand, practically all other principal lines—fire, casualty, and life —were very profitable in 1954, offsetting the staggering hurricane losses and allowing a profit margin on an industry-wide basis about as good as in 1953. Fire losses in 1954 as reported by The National Board of Fire Underwriters were $32 million lower than in 1953. The earnings improvement in automobile and casualty lines will by itself go a long way towards offsetting the hurricane losses. Overall, therefore, things are not as black as had been expected and much of the investor dismay which derived from the hurricanes may prove to have been largely unwarranted.

Of course results of individual companies will vary widely and it will be several months before a majority of the leading insurance companies have reported to their stockholders. It is always extremely difficult to estimate insurance company underwriting results and particularly so this year; but we do know, as does most of the investing public, that large wind storm losses were incurred and that insurance stock prices must already reflect to a large extent this knowledge.

"They Just Fade Away—"

Companies, and even industries, are alarmingly subject to obsolescence, a long word meaning "please line up here for your unemployment checks." You all know the story of Joe, the mousetrap builder. Mike builds a better mousetrap and Joe is out of business. Then along comes Jim with a mouse-killing chemical spray and Mike is finished. And finally Peter Zilch, Ph.D., appears on the scene with a gamma ray brand of cheese which causes the nuclear fission of mouse genes. With every single mouse now sterile, the entire mouse population is wiped out in a single generation. This is not only tough on mice, but a complete industry, that of mouse extermination, has been obsoleted.

And so it has been with other investments such as canal bonds, buggy whips, and street cars. It is still happening, as you all know. Airlines are supplanting the Pullman car, detergents have just about taken over the powdered soap market, nuclear energy promises to take over a large segment of the energy market, and even druthers are replacing the filet mignon. But whatever our mode of transportation or energy sources, insurance will be as essential in the future as in the past. In fact, atomic warheads and the astronomical horsepower ratings of the modern automobile have so increased our ability for property and self-destruction that insurance is becoming more and more necessary as the days pass. Obsolescence is certainly not a factor of concern to the insurance stock buyer.

"Two Strings to the Bow—"

The insurance industry exists primarily to underwrite insurable risks. This of course entails the payment of claims when losses are sustained, which in turn means that rates must be adequate so that claims can be paid. In fact, it is the statutory responsibility of the regulatory authorities to make sure that rates are sufficient to protect the policyholder. Therefore, it is realistic to assume in a general way that although profits will vary between companies and will vary from year to year, the underwriting of insurable risks will and must be kept profitable. This in no way means that one company will not do better than another, that competition is not present, that managerial excellence will not pay off as in other industries, nor that selectivity is not important to the investor as in other industries. But it does mean simply that the industry as a whole must remain solvent and in a strong and liquid financial condition. This can only be done by establishing and maintaining rates which are equitable to both policyholder and the company.

But the insurance industry has a second string to its bow, which is of intimate concern to the investor. This is of course its investment operations. The large reserves which must be held in anticipation of claims, plus capital and surplus funds, are invested in real estate, mortgages, and securities, the income from which is the primary source of funds from which dividends are paid to stockholders. We are all familiar with the progress made by security prices during 1954, and it is estimated that the $3,300,000,000 worth of common stocks held by stock fire and casualty companies on Dec. 31, 1953, must have increased in line with the general market by about one billion dollars during 1954. Therefore, we feel certain that despite the hurricane losses, the 1954 year-end balance sheets of the majority of the fire and casualty companies will show impressive gains in surplus, placing the industry in the strongest relative financial position of many years.

A Case in Point—

There seems little argument to the contention that Hartford Fire Insurance Company is one of the outstanding corporate equities available to the investor. An outstanding record of accomplishment, growth and service surely attests to the extraordinarily fine management Hartford Fire has enjoyed. The following table shows some of the important operating data of the company over the five-year 1949-53 on a per share basis:

	A	B	C	D
1953	$11.57	$9.07	$14.45	$174
1952	5.79	7.83	11.43	170
1951	1.64	6.90	12.16	131
1950	6.26	6.22	12.01	136
1949	15.78	5.27	17.43	116

The four columns above have not been identified for the sake of emphasis. But if we look at Column A, we see a violent fluctuation from 1949 to 1951. In fact, the 1949 figure is almost 10 times the 1951 figure, which does not suggest a great deal of stability. It is even more surprising when we realize we are discussing Hartford Fire, the "bluest" of the "blue chips," and that Column A is underwriting earnings per share before taxes.

Now if we look at Column B, which happens to be net investment income, we find a steady, impressive and uninterrupted growth. Further, remembering that fire and casualty companies generally restrict their dividend payments to funds available to them from investments, choosing to plowback underwriting profits, we can begin to see why Hartford Fire has gained its investment prestige. Now turning to Column C, net earnings per share after taxes, we find considerable stability and certainly none of the violent fluctuations of Column A.

To understand this stability in Column C, net earnings per share, we must first realize that Federal income taxes are based on the underwriting earnings shown in Column A. In addition to taxes on income, there is another important factor to consider. For example, if an insurance company writes a great deal more business in one year than it did in the preceding year, underwriting earnings are penalized by an amount roughly equivalent to the costs of acquiring this increase in business (principally commissions), which amount will be recovered as the policies are run off.

Normally, security analysts adjust statutory underwriting earnings (Column A) by the amount of this deferred income, to give a truer picture of the year's operations. In the case of Hartford Fire, the adjustment, which is non-taxable, amounted to $3.72 per share in 1949 and $5.38 per share in 1951. Therefore, if we adjust Column A, then add Column B (net investment income) and subtract Federal income taxes ($7.34 per share in 1949 and $1.76 per share in 1951), we arrive at Column C or net earnings per share. In the case of Hartford Fire from 1949 to 1951, net dropped from $17.43 to $12.16, or by only 30%, whereas underwriting earnings dropped from $15.78 to $1.64, or by 90%.

Finally let's look at Column D, which shows the year-end bid price of Hartford Fire capital stock. The "case in point" is that despite the obvious loss of underwriting earnings, the stock gained 13% in market value from Dec. 31, 1949 to Dec. 31, 1951; and if we consider the 1949 low of $88 per share and the high of $145 per share in 1952 (the year immediately following the company's poor underwriting results), we find an appreciation of 65%. Therefore, it becomes readily apparent that although underwriting is the primary function of an insurance company and underwriting earnings a principal determinant of stock value, we must not overly concern ourselves with the underwriting results of any one particular year, but rather give adequate attention to the average results over a five-year period or longer. When you consider the merits of an insurance stock investment today, look at the average underwriting margins of the past five years, not just 1954, and look at the ability to pay dividends, not just the current dividend rate. If you do, and decide to invest, you will find yourself in the excellent company of many successful buyers of insurance equities.

The following table shows the underwriting profit margins for a few representative companies over a five- and ten-year period. The table does not tell the whole story of course, as there are many other factors to consider such as investment income, assets and "liquidating value" per share, type of business and premium volume per share. But the margins as shown are far more significant than the margins reported for any one year.

Underwriting Profit Margin*

Company	1949-53	1944-53
Aetna (Fire) Insurance	4.14%	3.22%
American Ins. of Newark	5.25	4.47
Continental Casualty	5.31	5.74
Continental Insurance	6.48	6.64
Fireman's Fund	6.63	6.25
Firemen's Ins. of Newark	3.30	2.84
Great American Insur.	3.96	3.79
Hartford Fire	6.80	6.74
Home Insurance	4.69	4.24
Ins. Co of No. America	8.26	7.35
National Fire	5.03	2.28
New York Fire	3.28	0.75
St. Paul Fire & Marine	6.89	7.29

*Adjusted underwriting profit before taxes as a percentage of earned premiums.

Elmer W. Hammell With Straus, Blosser

Elmer W. Hammell

CHICAGO, Ill.—Straus, Blosser & McDowell, 39 South La Salle Street, members of the New York and Midwest Stock Exchange, announce that Elmer W. Hammell has joined them in the trading department. Mr. Hammell, who has been in the investment business in Chicago for many years, was formerly manager of the trading department for Taylor & Co.

Midland Securities Has New Montreal Branch

MONTREAL, Que., Canada — Midland Securities Corp. Limited, have announced the opening of an office at 215 St. James Street West, under the direction of William A. Stewart.

With Marache, Dofflemyre

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Raymond DeW. Purtle is now connected with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks had their full share of irregularity this week, particularly the aircrafts which ended their long popularity with something of an abrupt about-face. If there was any relationship between the end of this strength and the political upheaval in Russia, it wasn't apparent to most of the market students.

* * *

Reversal in the Aircrafts

For one thing, specious arguments that the political change would diminish the cold war campaign, and hence make aircrafts less popular with investors, had little basis in fact. Moreover, a couple of disappointing dividends by aircraft companies had already cooled off the ardor for these issues before the surprise announcement came from behind the Iron Curtain.

* * *

Lockheed was one of the companies expected to sweeten up the payment. It failed to do so and the news came at a time when the stock was acting well. Sellers moved in rapidly, however, and gave the issue one of the wider swings for a day in its recent history, a range of some six and a half points. United Aircraft was the second disappointment shortly after, but the hopes weren't as high in this case, and the response was more moderate.

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Another facet of the aircraft situation was that a week ago the floor traders were warned to pass up the plane issues that have been soaring for so long. It wasn't too difficult, consequently, for stop-loss orders to come into play as pressure developed and internal support was lacking.

* * *

Motors in the Limelight

Apart from the plane makers, a feature of the week was General Motors (and to a lesser degree, duPont) which came to market with the largest rights offering — some 4,380,000 shares of GM stock. The old stock had a somewhat trying time of it as the guessing centered on how much of this would be taken up by stockholders. GM dipped a bit hard at times as some of the estimates of the unsubscribed stock ran as high as three-fourths of a million shares. It was bolstered, however, as duPont which had indicated earlier it "expected" to subscribe, actually picked up its allotment of a million more shares on the 20,000,000 already held.

Incidentally, this transaction amounting to $75,000,000 for duPont, is considerably in excess of the $57,621,758 laid out over a period some two generations ago to buy the original Motors bundle.

* * *

Split Impact

On the happy side, and by coincidence both in the communications field, were two of the brighter spots—American Telephone and Western Union. Telephone pushed to the best price recorded since the 1946 bull market peak on somewhat vague talk. One of the perennially interesting subjects is of a split for the stock. This has been one of the hardier of the Street rumors and would seem to be rife again. Another was talk of some important switching into Telephone as a shelter until all the ramifications of the Russian situation become clearer. The answer in Western Union was simple — the fond regard the Street has for stock splits, especially when they are of the 4-for-1 nature like that of WU, coupled with no advance leaks over the intentions of the directors.

* * *

Oils had some dour candidates even apart from those that were "split candidates" but failed to take action in line with expectations. Standard Oil of Jersey had pretty well settled down from the gyrations over its split disappointment and issues that did come through with a capitalization change, including Pure Oil this week, fared well. But there were some sad momentary actions by Houston Oil, Standard of California and Royal Dutch to keep things somewhat tarnished.

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Electronics and Metals Pick Up

Electronics issues had their good moments, but there wasn't much fanfare about them. Coppers swayed with the pack but basically were turning in a superior performance on the many discussions of a copper shortage of at least a temporary nature. Some of the other metals issues were occasionally in the limelight, including Vanadium Corp. which isn't hurt by its work in uranium.

* * *

Chrysler had some moments of popularity when it was reported by the company that last month's sales had run 70% ahead of those for the comparable month last year. But there was still plenty of caution around the issue, judging by its subsequent action, and the issue's best action was to approach its best price of the last 13 months in the 70s, but still well under the better than 96 recorded in 1953. The shares of the independent automakers showed no disposition to tackle their 1954-55 peaks, much less any more historic levels.

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Chemicals, largely because duPont swayed in harmony with General Motors, also presented a somewhat irregular picture. Among the better-acting issues in the group were Monsanto and Spencer Chemical. Allied Chemical continued a wavering course without much determination on either side of dead center.

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Among the lower quality issues, Butte Copper was one of this week's offerings for the spotlight. The issue ran ahead with vigor after holding for better than a year in approximately a three-point range. Its peak gain was two-thirds of that range in a matter of a few trades. Butte is one of the many illustrations of how selective the market continues to be; despite the historic peaks being reached elsewhere, Butte still has a long way to go to eclipse the high of 1952, or the even higher posting of 1951 which is the year, according to some analysts, when the current bull swing started. There are other schools of thought that maintain the upturn started two years earlier.

* * *

Utilities Undistinguished

Utilities have been turning in an undistinguished performance and, like the rails did earlier, this week, turned back after an unsuccessful effort to penetrate the previous high of the average. Rails are still a technical disappointment and are lolling some five points under their 1955 top without offering any encouragement to the industrial average which twice has pushed its all-time peak a notch higher since recovering from the early January trouncing.

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Technical Signs Discouraging

Technical indications, consequently, aren't favorable. Quite a few of the issues that have been carrying the ball up to here are generally regarded as having reached their indicated objectives. Yet the emphasis of investors hasn't expanded markedly in the secondary issues that normally would succeed to the leadership at such a stage. Some of the cats and dogs have been getting an occasional whirl but without anything particularly excessive about it. So far this year, at least, the year-end forecasts that held out for a trading range with the market selective have good batting averages.

[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.]

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Shareholders of **Colonial Trust Company of New York** will meet Feb. 14 to act on a proposal which would increase capital and surplus of the bank by $1 million. They will vote on an amendment to the bank's charter whereby a new issue of 20,000 shares of Colonial stock will be offered at $50 a share. The new stock, when authorized, would be offered to holders of the present 40,000 shares of Colonial on the basis of one new share for each two shares presently held. William C. MacMillen, Jr., President of Chesapeake Industries, Inc., which recently acquired approximately 93.5% of **Colonial** stock through an exchange of shares, said that Chesapeake would buy the full number of new shares permitted by its present ownership of 37,410 shares. In addition, Mr. MacMillen said, Chesapeake would purchase new shares due any present shareholder who did not wish to invest in the new issue. In a letter to shareholders announcing the meeting, Charles Deyo, Colonial Vice-President, said the increased capital is desired to enable the bank to supply the demands of its growing number of customers and to bring its capital funds in more suitable proportion to the institution's increasing assets and business.

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D. Mallory Stephens, Chairman, and Jacob Leichtman, President of **Commercial State & Trust Company of New York**, formerly **The Modern Industrial Bank**, and Alfred L. Kaskel of **Metropolitan Industrial Bank of New York** announced on Feb. 4 that initial steps have been taken for which approval has been obtained of a plan leading to the ultimate merger of **Metropolitan Industrial Bank** into **Commercial State Bank & Trust Company of New York.** All officers and employees of both banks will be retained by the consolidated bank. Upon completion of the merger **Commercial State Bank** will operate nine offices in Greater New York and will have resources of $100,000,000.

As of Dec. 31, 1954, Metropolitan Industrial Bank showed deposits of $17,220,000; resources were $19,051,000; with capital funds reported at $1,500,000. The institution was organized in 1929 as the **Montrose Investment & Loan Corporation** which on Dec. 30, 1949 was chartered to operate as the **Metropolitan Industrial Bank.** The latter's branch offices are at 781 Eastern Parkway, Brooklyn, and at 99-01 Queens Boulevard, Forest Hills, Queens.

Commercial State Bank & Trust Company reported deposits as of Dec. 31, 1954, at $71,431,000; resources of $78,760,000; ;and capital funds totalling $5,910,000. The institution maintains seven New York City offices including four in Manhattan, two in Brooklyn and one in the Bronx, and is currently observing its 30th anniversary. It was founded in 1924 by Jacob Leichtman and was originally known as the **Modern Investment & Loan Corporation.** In 1936 it was chartered as the Modern Industrial Bank and in January, 1953, it was converted into a commercial bank with trust powers.

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The appointment of Earl A. Drew as Deputy Auditor of **Manufacturers Trust Company of New York**, was announced on Feb. 8 by Horace C. Flanigan, President. In August, 1923, Mr. Drew joined the **Brooklyn Trust Company** which merged with Manufacturers Trust in October 1950. At Brooklyn Trust Company, Mr. Drew had been Vice-President and Comptroller.

President Flanigan on Feb. 7 announced that John B. Noone, Secretary and Treasurer of Standard Brands, Inc., has been appointed a member of the Advisory Board of the 57th Street Office (741 Fifth Avenue at 57th Street) of **Manufacturers Trust Company.** Mr. Noone is also Treasurer of the American Society of Corporate Secretaries, Inc.

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William G. Green, Chairman of the Board of Trustees of **The New York Savings Bank,** at 14th Street and 8th Avenue, **New York City,** was elected to the 25-Year Club of the bank at ceremonies presided over by President, Richard L. Maloney, Jr. Mr. Maloney presented Mr. Green with a silver tray inscribed with the facsimile signatures of the present Trustees and Officers, as well as a facsimile signature of each Trustee who had served with Mr. Green over the 25 year span. Mr. Green, a native New Yorker, started in the real estate business under the firm name of Sandford & Green. In 1916, he became associated with the **United States Trust Company of New York** and was placed in charge of its real estate holdings. He resigned as Vice-President in 1930 when he was elected President of The New York Savings Bank. He served as President until 1947 when he was elected to his present office as Chariman of the Board of Trustees.

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George E. Schmitt has been named Vice-President and Auditor, and Archie E. Prout, Assistant Vice-President of **National Bank of Westchester, at White Plains, N. Y.** Ralph T. Tyner, Jr., President, has announced. Mr. Schmitt has been an officer of the bank since 1940, having joined the Peoples National Bank & Trust Company in 1935. During 1953-54, Mr. Schmitt was President of the White Plains Exchange Club. Mr. Prout, who was named Assistant Vice-President, was formerly Assistant Cashier. He has long specialized in mortgage affairs in the bank and is a member of the White Plains Realty Board.

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As of Jan. 17 the capital of the **First National Bank of Poughkeepsie, N. Y.,** was increased from $600,000 to $660,00 as a result of a stock dividend of $60,000.

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A proposal by **Marine Midland Corporation of Buffalo, N. Y.,** to acquire the stock of the **Bank of Gowanda, Gowanda, N. Y.,** was announced on Feb. 7 by Charles H. Diefendorf, President of Marine Midland Corporation and Stanley A. Neilson, President of the Bank of Gowanda. The Board of Directors of the Bank of Gowanda has approved the plan which is expected to lead to a merger of the Bank of Gowanda and the **Marine Trust Company**

Continued on page 33

"We Can Expect More Exuberance Than Lethargy in the Economy"

By WINFIELD W. RIEFLER*

Assistant to the Chairman,
Board of Governors of the Federal Reserve System

Federal Reserve expert reviews salient features of recent economic developments, and states "there is implicit in these developments the possibility of sustained and growing prosperity and of steady absorption of our expanding resources. Mentions over-expanded credit and over-building as among the straws that bear watching. Sees adequate Federal Reserve regulation of margin requirements to check over-speculation.

The most recent facts and figures on the economic situation stand in strong contrast to those available at this time last year when the Joint Committee on the Economic Report held its February hearings. Then the economy was nearing the point where it leveled off from the recession that commenced in mid-1953. Now, each day's accretions of evidence point up the breadth of the recovery that started last fall. As of the moment it appears to possess a considerable strength.

Winfield W. Riefler

Two features stand out as noteworthy in recent economic developments. One is internal to this economy, the other external. On the internal side, there is the strength of consumer demand through 1954, first, in its resistance to declines in total output, and, later, in the way it sparked the upturn. As explained in the Economic Report, the sustained high level of disposable income, coupled with aggressive competition and retailing effort, was fundamental to this result. It is significant that consumer credit during most of the year added little in the aggregate to consumer demand. A renewed expansion of consumer credit, however, appears to have been a factor in the strength of the upturn in the last two months.

The response in consumption is most reassuring because the tapering off of the defense program and the working down of inventories posed a difficult problem to the economy. It was important that a large proportion of the resources released from defense be redirected to higher standards of civilian consumption, but it was not clear that the signs of readaptation would show themselves quickly.

The noteworthy feature of 1954 that was external to our economy was the continued strong economic expansion that continued to characterize many other countries of the free world, particularly Great Britain and Western Europe. This dispelled the fear that a recession in the American economy would upset world equilibrium. It contributed to our revival by providing a strong market for our exports, and registered the basic progress that has been made toward reconstructing a viable international economy. Despite rough spots and exceptions, balances of payments among countries of the free world are probably on a better basis today than at any time since the outbreak of the first World War in 1914.

Warns Against Overconfidence

There is implicit in these developments the possibility of sustained and growing prosperity and of steady absorption of our expanding resources, particularly our human resources, now unemployed. For this possibility to be realized, however, it is important not only that the recovery be broadly based but also that activities in anticipation of rising demand, such as inventory accumulation, be held within prudent limits and that commitments to expand be soundly financed. These are the types of problems that always emerge during periods of recovery. It is still too early in the present recovery to tell to what extent they will emerge this time. Among the straws that bear watching is the fact that credit terms, both for consumer instalment loans and for home mortgage loans, are now generally more liberal than they have ever been in the past. It is also possible that the volume of construction activity now under way or projected may be too high to be sustained.

Reserve's Policies

The monetary and credit policies pursued by the Federal Reserve System in 1955 will continue to be guided by the philosophy embodied in the Employment Act, i.e., the nurture and cultivation of sustained economic growth and stability at high levels of resource use. In more concrete terms, this means that credit and monetary policy will be directed toward furnishing the reserves needed by the commercial banks to perform efficiently their function of financing the economy at a high level of resource utilization without contributing either to inflation or deflation, and without encouraging developments that will make for instability. So far as the cost and availability of credit are concerned, it means that the System will try to promote a pattern of finance that will find a market for the economy's savings in constructive activities. So far as the quantity of credit is concerned, it will work for a rate of growth in the active money supply appropriate to the growth in the resources available to the economy.

It would not be wise to establish a fixed or mechanical formula to govern the relationship between growth in the money supply and growth in the economy. Both businesses and individuals hold cash balances for a variety of reasons which may change from time to time. The result will be registered both as a change in the velocity of circulation and a change in the appropriate relation between growth in the money supply and growth in real output.

During the greater part of 1954 when inventories were being liquidated and the normal business customers of banks had less occasion to borrow, the System sought to achieve these cited objectives by twice lowering its rediscount rates, first, from 2% to 1¾%, and, second, from 1¾% to 1½%. It also, in the summer, lowered reserve requirements on time deposits to 5%, on demand deposits to 20% at central reserve city banks, 18% at reserve city banks, and 12% at country banks.

Continously throughout the year, open market operations were used to supplement or offset other factors supplying or absorbing reserves in such a way as to insure that there would be a volume of reserves in the market sufficient to stimulate banks to seek outlets for their funds.

Taking the year 1954 as a whole, total loans and investments of all commercial banks expanded by nearly $11 billion, of which about $4 billion was reflected in a growth in the active money supply. The growth for the year in the active money supply was around 3%, as compared with a growth of a little over 1% in the Gross National Product from the first quarter to the last quarter of the year. In each case, this growth was concentrated in the later months of 1954.

Increase in Margins

Prices of common stocks rose continually through 1954 indicating the confidence of investors in the economic outlook as well as the availability of funds for risk investment. Toward the close of the year when it became apparent that recovery was actually under way, there was a sharp acceleration of stock purchasing, which appeared to be increasingly motivated by speculative, in contrast to investment, considerations. While the total volume of credit loaned on stocks and bonds is relatively low by historical standards, the rate of increase in borrowing to finance stock purchases rose rapidly. As a result, the Board of Governors raised margin requirements from 50 to 60% on Jan. 4.

The regulation of margin requirements that is lodged with the Board of Governors by the law is designed specifically to prevent an excessive use of credit for purchasing or carrying listed securities. It was designed (1) to restrict sharply the ability of equity purchasers to finance their acquisitions on thin margins of cash, and (2) to avoid a situation ever arising again, as it did in 1929, when a break in stock prices, that in any event would have been severe, was magnified into a crash because of the large-scale forced liquidation of securities that were being held on very small margins. So far as these two purposes go, the present regulatory authority appears to be adequate.

It is too early to be sure that the recovery under way will continue without interruption, but it is my personal judgment that the problems which will concern the Committee during the months ahead will be increasingly associated with exuberance rather than lethargy in the economy.

*Statement by Dr. Riefler before the Joint Committee on the Economic Report, Washington, D. C., Jan. 31, 1955.

Rex Stevenson With Nesbitt, Thomson in NY

Rex Stevenson, formerly manager of the Edmonton, Alberta office of Nesbitt, Thomson & Co., Ltd., is now manager of the trading department for their New York affiliated, Nesbitt Thomson & Company, Inc., 25 Broad Street, New York City.

James Concagh, formerly with Dominion Securities Corporation has joined the firm in their trading department.

A Long Range View of Business

By JAMES J. NANCE*
President, Studebaker-Packard Corporation

Mr. Nance, after reviewing economic and business developments of the post-war years, discusses matters which are likely to concern businessmen in the future. Foresees a continuing heavy national defense program and correspondingly high taxes. Looks for more intense competition, with larger scale of production and smaller profit margins, necessitating a higher order of salesmanship. Stresses importance of technical research and further trend toward mechanization. Concludes, we will have to keep our economy flexible and continuously expanding by producing new and better products and by increasing consumer living standards.

Fifteen months ago when it became evident that abnormal stimulants had ended there was general concern as to what would happen to business and employment. Predictions ranged from rosey optimism to extreme pessimism. The record shows now that the economy took the adjustments in stride. At the low point of the adjustment unemployment reached a peak of 3.7 million persons, which was less than 6% of the labor force. The maximum drop in production, as measured by the Federal Reserve Board adjusted index was 14 points from the 1953 record high of 137. The average setback to production was, of course, much smaller. Currently, the index stands at 129 off only 8 points from the peak. While national income declined, consumer disposable income after taxes actually averaged higher in 1954 than in 1953.

James J. Nance

Some industries and some companies felt the adjustment more severely than others. Overall, however, 1954 totals up as the second highest year in the country's history, topped only by 1953. As we look back now, we can see that the period of decline lasted roughly 12 months from mid-1953 to mid-1954, when an upswing set in.

The result of this excellent performance has been a phenomenal revival of confidence. You have seen this dramatically reflected in year-end predictions. I have never known a time when there was greater unanimity of opinion among economic forecasters. They predict, with scarcely a dissenting voice, that the upswing of the last several months will continue in 1955 and that the year will easily better 1954. A minority even foresee 1955 topping the record set in 1953.

A Longer Range Look Into the Future

In view of this unanimity I will not burden you with the details of my own personal analysis, except to say that I concur with the majority. Instead, I would like to take the next few minutes to consider the longer range future. What are some of the things you and I as business men may count on? What trends are we likely to encounter? What problems may lie ahead for our individual businesses and for the economy as a whole?

There is certainly not time here today for me to explore more than a few of the principal parts of the answers to these questions. I hasten to say, too, that since we are estimating the future your views may not coincide with mine. In fact, they may differ radically. I firmly believe, however, that the need for long range thinking and planning by businessmen is greater today than ever before because of the rapidity with which change can and does occur. New developments and new things which in the past took a generation to come into general use now make their impact felt almost overnight. Television is a classic case in point. Since TV was given the commercial go-ahead by the Federal Communications Commission seven years ago it has become one of the nation's biggest industries. In that short period, more than 70% of American families have bought TV receivers for their homes. The effects have been far reaching on the sale of a great variety of products, on advertising and marketing and on the whole entertainment industry.

A Permanent Large Military Program

Getting on to the things we may count on and must plan for in looking ahead five, 10 or 15 years I place a permanent large military program first. President Eisenhower recently spoke of maintaining a high state of military preparedness for 50 years. After two years of intensive economizing Defense Secretary Wilson has said that the next budget will carry $33 to $37 billion for defense. Apparently this is an irreductible minimum, even after the manpower cuts now ordered for the services. With other government costs we can therefore look forward to a Federal budget of $65 to $70 billion and correspondingly high taxes. This is extremely significant to those of us in industries whose products bear heavy excise taxes. It is equally significant to every businessman in estimating his company's future earnings and dividend possibilities and perhaps most importantly—in forecasting the extent to which future growth may be financed out of retained earnings.

To manufacturers, of course, such a sustained volume of military business built permanently into the economy also represents a potential market. At Studebaker-Packard we are exploring every opportunity for defense business. As one of the 30 largest industrial companies in the country and one of the largest metal workers in the world, we believe we should be part of this program. Recently the Administration has indicated that it intends to reverse the policy of narrowing the defense base, which it has pursued for two years. From my experience in trying to get military production going under emergency conditions in two wars, I am firmly convinced of the wisdom of a broad production base.

The narrow base principle only gives a manufacturer mothballed machines. Much more important is a hard corps of engineers and technicians with actual production experience on military work. Without such a group it is necessary to train a whole plant staff from scratch at the very time when teachers are scarce or non-existent and national survival itself may depend on speed. Having a skeleton staff of experienced people can mean a saving of 12 to 18 months in getting production if an emergency arises.

I have digressed here because I believe it is vital to the national interest that the defense production base be expanded. To return to the basic trends which business must reckon with in the future, I expect competition to become more, rather than less, intense. After 1953 you may think competition couldn't get rougher.

More Research Ahead

There are two principal reasons for my view. First, more and more effort and money is being invested in research. Last year it is estimated $4 billion was so invested. New products and new methods inevitably will come out of such an effort, putting pressure on older products and companies which fail to keep abreast. Second, the American public has rediscovered it is king in the market place. After years of shortages and waiting in line to buy, consumers have relearned to shop with a vengeance. Consumers are, I believe, more value and price conscious than ever before.

In distribution I expect to see reflected in acceleration of the long established trend toward larger volume at a smaller markup. I also believe that success for all sellers will depend on a higher order of salesmanship, which will emphasize quality and value rather than price alone.

The trend toward nationally established and promoted brands, which was clearly discernible before the era of shortages will also make further progress in the years ahead.

We can expect even heavier expenditures on advertising as manufacturers fight to build preference for their brands so as to gain wider retail distribution and sales supports. Last year you may have observed advertising expenditures climbed almost vertically to double those of the years immediately following World War II.

Greater Mechanization

In all types of business the trend toward greater mechanization will also continue. A number of factors will compel this, including the increase in research, the ceaseless upward pressure on wages, and the compulsion of competition toward more efficient production and distribution. Greater mechanization, or if you will, automation, will also mean for every business a proportionately heavier investment in fixed assets.

If we can believe the experts on population, and I certainly think we can because they have consistently underestimated for the last 15 or 20 years, our present record rate of growth will mushroom in the 1960's beginning only five or six years from now. And we are currently growing at the rate of 50,000 persons each week or adding a city the size of metropolitan Detroit each 11 months.

There are a number of elements in the population trend which have long range implications for every business, including the size of families, the proportion of children, young people, middle aged and elderly people.

In addition, there are the very pertinent questions of where people will live and where they will find jobs.

For example, one of the oldest population trends is the movement from farm to city. Increased mechanization and improved agricultural technology strongly indicate that this trend will continue. The newer migration from the cities to the surrounding suburbs and countryside, made possible largely by the automobile, already has affected many lines of business and will continue to do so.

The population trend obviously is one of the most dynamic factors in the long range business outlook. It also, however, poses problems. Each year new jobs must be made. Over the next 20 years it is estimated that the work force will grow by 20 million persons. For every three jobs today four will be needed in 1975.

Economy Should Be Flexible and Kept Growing

I find this anything but a frightening prospect. Nevertheless, we will have to keep our economy flexible, and we will have to keep it growing by the development of both new and better products and by increasing the standard of living of every income group.

In accomplishing this, I expect in the future to see a continuation of the long time upward trend in real wages. This can come about only through increased productivity, which in turn is based on constantly increasing and improving our mechanization and methods.

Conversely, I believe that today's fully restored competition mitigates against unearned wage gains which have to be passed on in higher prices and which characterized the long period of war caused shortages.

More Intense Competition

I have touched briefly on a few of the major trends which I believe are operating and suggested some of the implications as I see them. There are many more of course. The prospect of some, such as more intense competition and greater pressure on profit margins, may not be music to businessmen's ears. We must grant, however, that competition is one of the two main forces which motivate our free economic system and makes it the most productive of any the world has ever seen. The second force is the opportunity provided for the individual to better himself. Detracting from either of these can have very serious repercussions on the productivity of the system and its ability to provide a steadily advancing standard of living for a rapidly growing population. Efforts to restrain the working of honest competition artificially threaten the system and its chance to fulfill the great opportunity for progress we now have. Every businessman shou'd remember this when the going is rugged and he thinks that some kind of a law to soften competition in his industry would be desirable.

Workers in their very laudable quest for security should remember that the only real security comes from successfully competing in the market place and from maintaining a prosperous and expanding total economy. If there is to be progress, there must be flexibility to make room for change. Labor as well as capital must be mobile. Income cannot indefinitely be paid to workers idled because the consumer demand for the products of their industry is not sufficient. Above all, mechanization, which is the key to increased productivity, must not be impeded.

I am not talking jungle economics here but rather the economic of progress. The simple fact is that no group can be paid for work undone or unwanted by the consumer without injury to the whole economy. If we avoid such pitfalls as I have just been discussing—and I believe we can rely on the good common sense of the American people—I see no reason why we cannot look forward to a long term uptrend in the level of business and an even faster rise in the American standard of living.

Despite the need for heavy military production and despite a big increase in the number of people too young or too old to work, economists have calculated that we have achieved a per capita increase in living standards of 25% in the last decade. Calculations show that the average person is now spending $5 for goods and services, after allowance for change in the purchasing power of the dollar, compared with $4 a decade ago. You can see the effects wherever you look—in increased home ownership, in the much higher percentage of families which own automobiles, in the great growth in the number and variety of home appliances in use, and in better diet and in more leisure.

Now that the need for a military build-up has levelled off and the plant capacity to meet military requirements has been built, it seems perfectly reasonable to me to expect this rate of gain to increase. Unless hot war is forced upon us, we have the capacity, the know-how and the skilled workers to produce more than we are now consuming and our productive capacity is still growing in size and quality. Perhaps most important, the American people are dynamic in their wants and are willing to work to gratify them. They want improvements in established products and will dispose of goods before they are worn out if improved replacements are made available. They avidly accept new products when their value is demonstrated.

The businessmen of America have a gigantic job ahead of them. The physical needs of our growing population are prodigious. Given respite from hot war, I believe we have solid reason to be optimistic both for 1955 and for the years to follow.

*An address by Mr. Nance before the New York Chamber of Commerce, New York City.

Cosgrove, Miller Opens Cleveland Branch

CLEVELAND, Ohio—Cosgrove, Miller & Whitehead, members of the New York Stock Exchange, announce the opening of a branch office at 552 Hanna Building, Cleveland, Ohio. The new office is under the management of Boynton D. Murch and Everett A. King. Both were formerly with Fulton, Reid & Co.

Robert Burns With Hayden, Stone & Co.

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, and other leading securities exchanges, have announced that Robert S. Burns has become associated with the firm as a bank and insurance stock analyst. Mr. Burns was formerly associated with the American Banker, Inc. Prior to this, he was associated with a number of securities firms, specializing in bank and insurance shares. Well known in his special field, he has written numerous articles for leading business and financial publications.

A. M. Kidder to Admit Conlin and Neal

A. M. Kidder & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 17 will admit Frank W. Conlin and Harry J. Neal, Jr. to partnership. Mr. Neal will make his headquarters in St. Petersburg, Fla.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ira F. Martin is now connected with Shearson, Hamill & Co., 520 South Grand Avenue.

Daniel D. Weston Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Bennett R. Simon has been added to the staff of Daniel D. Weston & Co., 140 South Beverly Drive.

Public Utility Securities

By OWEN ELY

International Telephone & Telegraph Corp.

International Telephone & Telegraph is a holding company with world-wide interests in electronics and the maufacture of telephone equipment, and in telephone, radio and cable utility business. While it is difficult to make an exact segregation, roughly one-fifth of the company's assets appear to be in this country and four-fifths abroad, as indicated in the following breakdown of investments:

	Book Value (Millions)	
Manufacturing and Research Subsidiaries:		
United States	$61	
England and Australia	35	
Sweden (minority interest in Ericsson)	8	
Other Continental Europe	66	
South America	31	
Japan (minority interest)	5	
Total Manufacturing and Research	$206	58%
Utility Subsidiaries:		
Telephone	*$92	
Radio-Telephone	7	
American Cable & Radio (majority control)	26	
Total Utility	$125	35
†Cash and Misc. Assets, less Debts and Priorities	$26	7
Total Assets	$357	100%

*Includes $20 million minority interest in Mexican telephone utility.
†Some $40 million in cash or government securities—ITT and ISE parent companies.

System research and manufacturing activities have developed around the communications industry, involving all phases of mechanical, electrical and electronic techniques—for the most part sales are to industrial users as contrasted with consumer products. "Communications" is used in the comprehensive sense to embrace all forms of devices and systems for the transmission and reception of speech and signals of many kinds, ranging from the direct current impulses of telegraphy to the widest bands of high frequency microscopic alternating currents for navigational aids and radar devices. The companies are making good progress in adapting electronic devices to existing and new communications systems. In Norway, for example, an advanced electronic-mechanical telephone switching system was recently installed. Foreign manufacturing sales in 1954 were close to the record figures of 1953, and indications are that sales in 1955 will exceed any previous year.

General W. H. Harrison, President of International Tel. & Tel., in a recent talk before the New York Society of Security Analysts said that trends were good in the various manufacturing plants both at home and abroad. Foreign plants are well established and are all licensed under Western Electric patents. Considerable difficulties are encountered, however, in converting the earnings of foreign property into dollars and bringing them to the parent company, due to various restrictions imposed by foreign governments. Thus, although some $2,500,000 (about 35 cents a share) is included in the consolidated earnings for operations in the Argentine, Brazil, Chile and Spain, none of these earnings could be transferred into dollars. Restrictions of another kind are imposed in the Scandinavian countries: for example, in Norway the company can take out only 5% on original capital which last year was about $23,000 out of $500,000 earnings. However, currency restrictions are easing and it is hoped that in future a larger part of foreign earnings can be brought to the United States; meanwhile, earnings retained abroad are being "plowed back" in plant improvements and expansion, or additional working capital.

The situation with respect to the various utility properties is (with the exception of Puerto Rico) less satisfactory than with the manufacturing companies, although improvement is anticipated when rate relief is obtained.

In the United States the various manufacturing divisions—Federal Telecommunication Labs, Farnsworth Electronics, Kellogg Switchboard & Supply—all continue to show modest improvement. A substantial part of sales is for various government departments—mostly in the field of communications, air and water navigational aids, etc. Transport and weapons are rapidly outpacing manual controls, and are becoming dependent upon electronic controls; and this is the area where IT&T is conducting extensive research and development. In addition, it is doing substantial research in electronic apparatus for guided missiles, and in automatic electronic devices to identify and interfere with enemy radar, communications, etc. Federal and Kellogg are suppliers to the independent telephone companies and this, too, is a large potential market for electronic applications.

According to General Harrison, 1954 earnings were approximately the same as in 1953, before the special and nonrecurring charge of $2,400,000 (net) representing the loss resulting from the sale of the Coolerator Division in December. The company's venture into the air-conditioning business apparently came at too late a date and suffered from over-competition in the industry. As this loss was equivalent to about 31 cents a share, consolidated share earnings for 1954 were probably in the neighborhood of $2.75 and parent company share earnings about $1.35 (exact figures are not available).

At the recent price around 25½, International Tel. & Tel. yields 3.9% and sells at about 9 times the estimated consolidated earnings, and 19 times estimated parent company earnings. Book value (consolidated) is nearly double the market price.

The Bible and Formosa

By ROGER W. BABSON

Mr. Babson discusses the introduction of the Bible in England and the importance of sacrifice. Sees a connection between teaching of the Bible by missionaries and Formosa.

Roger W. Babson

Four hundred years ago, my ancestor, the Rev. John Rogers, was burned at-the-stake in London, England, on Feb. 4, 1555. To commemorate him and to add some current comments, is my desire today.

The Rev. John Rogers was martyred for his work of translating the Bible into the English language and circulating this complete Bible in England. Tyndale, with the help of Coverdale, translated the New Testament and a portion of the Old Testament, as far as II Chronicles, when he was martyred therefor. Then John Rogers—under the assumed name of "Matthews" — completed the Bible in its entirety for readers in England. This was in 1537; and he did most of the work in Holland.

From Holland, the English imported flour, cheeses, and other foods. My ancestor arranged with the packers of the barrels and crates containing these food products to hide a Bible among the contents and thereby smuggled these Bibles into England. When he returned to England, about 10 years later, he was arrested and imprisoned in the Tower of London. Finally, he was martyred at "Smithfield," where I have seen a bronze marker telling this story of his martyrdom.

Importance of Sacrifice

There are many lessons for us from the above experience. **First**, is the consecration of the priests and preachers of that day and their willingness to make any sacrifice, including their lives. Our unwillingness to sacrifice for our Church and Faith is a basic difficulty of the U. S. today. It is good to see church membership and attendance increase; but these figures mean little unless accompanied by a willingness to sacrifice.

Jesus never quoted statistics—He demanded that His followers be judged by their works of righteousness. I would go even further and say that the greatness of every powerful nation has been made possible by the people's sacrifice. When the willingness to sacrifice declined, the nation's economic strength declined along with its spiritual strength. In fact, the best U. S. barometer of our spiritual strength is the value of our dollar. It increases or decreases according to our willingness to sacrifice for what is right.

We Must Again Teach Bible to Our Children

The **Second** lesson applies to the great need of more Bible reading today. When I was a boy, most New England families were Bible-reading families with daily family prayers. We were all taught to obey Bible Teachings and to memorize them. I believe that we must again install the Bible as a family guide and as our national guide.

Atomic bombs will not save us, any more than the Chinese Wall saved China, or the Maginot Line saved France. This nation is depending too much on material defense. The more wealth we have, the better target we are and, through jealousy, the more enemies we will have. Only as we practice the Bible's Golden Rule, both in national and international affairs, can we hope to survive. The Bible is the only "Bomb" which can save America. Read Isaiah, Chapter 31.

What About China and Formosa?

The Chinese leaders of today were largely educated in colleges founded by missionaries sent to China by the Christian churches of the U. S., England, and our other Western Allies. I have visited some of these Chinese Colleges and have seen the Bible being taught there to the brightest young men of China. These students were greatly impressed by Jesus' Teachings, especially by the Sermon on the Mount.

As these students matured and became acquainted with the way our businessmen and politicians acted, they truly wondered if we are a Christian nation. Students who came to New York, Chicago, and other large American cities for post-graduate work concluded that we are hypocrites. They returned to China saying that the Bible is a forgotten book with us. The Russian Communists told them that our missionaries used our Bible only to "put the Chinese to sleep" while we robbed China. President Eisenhower and Secretary Dulles—both Bible-reading men—are handicapped by this unfortunate situation. Fighting alone will not save Formosa. Formosa and the entire East can be saved only if we stop worshiping material success and atomic power and return to the Teachings of the Bible.

A Broadening Future For Trust Services

By HOMER J. LIVINGSTON*
President, American Bankers Association
President, First National Bank, Chicago, Ill.

Pointing out the development of the nation's trust services has paralleled its economic growth, ABA President decries idea these services have passed their peak, because inheritance and high personal income taxes are resulting in smaller estates. Examines areas that indicate a steadily growing demand for trust services that will come from further expansion of business, along with the rapid increase in middle-income families. Cites growth of private pension funds and growth in nation's population, as well as other factors indicating the long-term economic trend is upward.

In the past 20 years, America has come to the pinnacle of world leadership, economic and financial, because men and women of initiative, industry, thrift, and inventive genius have had freedom and opportunity.

Homer J. Livingston

The development of the nation's trust services has in general paralleled its economic growth. However, it was almost 1900 before trust company services began to achieve real stature and prestige. It took time for a new nation without capital gradually to save and build its productive capacity so it could produce $350 billion annually in goods and services. It took time to build a banking system from three banks to nearly 15,000 banks with deposits of $200 billion. It took time to build a nation from 3.9 million inhabitants engaged largely in agriculture to a nation of 162 million persons with the greatest industrial plant in the world with over 60 million workers. It took time to build a nation with 90 million owners of life insurance, 12 million persons covered by pension plans, 53 million individuals with savings accounts, 8½ million owners of shares in private and public corporations, and with approximately 90% of all families now having some form of savings or investment. But it was accomplished, and it has created wealth and property so vast in size that trust services are imperative if the economy is to function efficiently and if men are to plan intelligently for their futures and provide for their families.

Although the growth of trust services has been remarkable, there are some who ask whether this development may not have passed its peak. They call attention to high inheritance taxes and high personal income taxes as factors which may result in smaller estates and trusts in the future. They point to the high corporate income taxes compared to the taxes when many of our great corporations were coming into existence in the early part of this century. They wonder whether corporate development and the growth of private property in the future will compare favorably with the past. They do not quite believe with Robert Browning that "All's right with the world." They are not so sure as Voltaire that "All is for the best in the best of possible worlds." At least, they have some lingering doubt that the growth of trust services in the years ahead can possibly be as great as it has been in the past.

*An address by Mr. Livingston at the 36th Mid-Winter Trust Conference sponsored by the A. B. A. Trust Division, New York City, Feb. 7, 1955.

A Long View Ahead

What are the facts? Do these views correctly appraise the future? Are they or are they not sustained by thoughtful analysis? Let us attempt a longer view ahead, a broader view, a view all around the subject. Let us see whether a vigorous economic stream of income and wealth may be expected to continue its strong flow from the American economy in the years ahead, and bring with it a demand for greater trust services.

There are, it seems to me, many factors which assure economic development in the future, fully as great as we have experienced in the past. This economic growth may be expected to have a forceful impact upon our trust facilities and provide a continuing and expanding need for trust services.

Let us look at a few of the areas that indicate how a steadily growing demand for trust services will come with the further expansion of business and industry during the next decade. Some of the forces operating in our economy today are old, but some of them are entirely new. A hundred and one competing demands beat upon our desks each day, and we tend to overlook the forces which are making such significant changes in our economy, or we come to accept them as commonplace. They are operating each day so clearly, so significantly, and so unmistakably before our very eyes that we fail to evaluate their importance. Yet, in the aggregate, these shifts in the American economy when taken together represent great changes in our dynamic society. If we are to measure our trust responsibilities and our trust opportunities properly in the years ahead, we need to understand the nature of these changes and the reasons for the economic expansion there is every reason to believe will occur during the next decade. We need also to understand better the magnitude of the social and economic setting in which we may be rendering trust services in the future.

Increase In Middle Income Families

Of outstanding importance to the trust business is the enormous increase in middle-income families — their tremendous growth numerically, their needs, and the opportunities they have opened up to American industry. Today the largest area of growth is in the middle-income group. The number of families wth incomes of more than $5,000 annually—over 17 million — has increased more than 900% since 1941.

We have a new kind of middle class — big, prosperous, and constantly expanding—and this great middle-income group promises to become a decisive market for services of all kinds. The substantial increase in the relative and absolute number of families in the middle-income brackets is one of the most important social changes in this generation. Income distribution has undergone revolutionary changes during the last 20 years. More families have more insurance, more income, and more wealth; and they have more need for trust services.

In addition, total liquid savings of individuals are over $200 billion in cash, bank deposits, and government securities alone; and the amount is increasing, for our people are saving annually approximately 7½% of their total disposable income.

Visualize what this income distribution and these large savings mean in the planning of estates. Our progress in raising the average income level of our families justifies the expectation that our trust services will find enlarged opportunities in the years ahead.

A Great Need For Wills and Estate Services

With the growth in national income, home ownership, and the ownership of other property, there is a great need for wills and estate services. It has been estimated that nearly 70% of American property owners die without leaving a will. Each year, for example, about $500 million is paid by insurance companies for people killed in automobile accidents. Most of those people leave no wills, so the distribution of the insurance benefits for a large percentage of them is based upon the laws of the state instead of the deceased's wishes.

Last year, life insurance companies sold $47½ billion of new insurance, bringing to well over $300 billion the amount of insurance in force to protect beneficiaries against sudden catastrophes. It is our obligation in our communities to stress even more than we have in the past the importance of having a will. The need for this service is also emphasized by the fact that the number of stockholders and government bondholders has grown substantially. Most men and women still seem unaware of the simplicity and inexpensiveness of having an attorney draw up a will. In this important field of trust service, we have not begun to saturate our possible markets.

There has been a spectacular increase in institutional arrangements for retirement. Governmental and industrial programs have come into being and are growing rapidly from year to year. This concern with retirement also reflects far-reaching changes in our way of life.

Growth of Private Pension Funds

The growth of the private pension plan in industry occurred largely during and since World War II; and in that same period, the greatest dollar growth has been among the uninsured, or trusteed type of pension plan. These trusteed plans are often administered by the trust departments of commercial banks, and predominantly represent the plans of large corporations. The annual flow of new money into pension funds alone has been estimated at $2 billion, and this figure will grow steadily with a constantly expanding working force to be covered by pensions. Vastly increased funds and properties are destined to be placed in your hands for management.

What will be the economic manifestations of the expected growth in pension funds? What plans for the future should trust departments develop in preparation for the fiduciary responsibility that pension trusts create? Just a few of the questions that will need constant study are the social problems of the aged, the effect of channeling savings through pension funds, the increasing impact of pension fund investments on the capital markets, the competition that pension funds might create among other forms of savings, who will ultimately pay pension costs, and the important question of the demand for new industrial products and personal services that may arise from increased spending by those in retirement.

Accompanying the growth of the pension trust is the development of the profit-sharing trust into which funds are flowing in an enlarging stream. Here, too, is a trust service which should grow in the coming years into larger and larger volume.

These and many other areas of development simply magnify the fact that trust departments are even more deeply concerned than ever before with the social and economic changes that are taking place in our nation.

One of the foremost single elements of change in the economic picture is the growth in the nation's population. Census studies estimate that during the next 10 years the population will increase approximately 2½ million persons per year. A larger proportion of our people are marrying than ever before, and they are marrying younger. Families are growing larger. The increasing population is creating shortages in local facilities. New bond issues are being sold to meet the requirements of larger communities. We can be especially helpful to many municipalities in connection with their growing need for the trust services we have to offer.

Long-Term Economic Trend Is Upward

We may in the coming decade experience economic ups and downs. We do not have to be as optimistic as those who believe we shall never have another serious recession. We need only to enumerate a few of the major sustaining factors in the economy to understand that the nation's long-term economic trend is upward. Figures sometimes have greater eloquence than phrases.

To illustrate, in recent years we have had large expenditures for housing construction, and yet over 60% of our homes today are over 20 years old, and 50% of them are more than 30 years old. Large scale modernization of existing homes seems inevitable. Many of our cities must undertake great programs of rebuilding. Entire sections need modernizing in order to eliminate slum areas.

School construction may reach a peak of $3 billion a year. Hospital construction requirements are estimated to be $1 billion yearly. Public utilities are expected to reach an annual spending rate of more than $4 billion. The electronics industry promises to do things for us which we cannot now imagine, and the development of atomic energy for peacetime uses on a practical scale may open the way eventually to virtually unlimited power for the entire country.

Increasing capital outlays may be expected for a long time to come for highway construction. Whether or not we attain the projected goal of $100 billion for such expenditures in the next 10 years, we are certain that enormous sums will be spent to rebuild our highway system so it will more adequately meet the needs of the continually increasing number of motor vehicles.

Expanding Volume of Scientific Research

One of the fundamental forces in the economy is the rapidly expanding volume of scientific research. More than 5,000 privately owned industrial organizations employ 250,000 scientists. There is a direct relationship between this work and the industrial output of the nation. For example, in the postwar period, research has created at least three new major industries: petro-chemicals, electronics, and nuclear energy. In the next few years, industry should receive even greater stimulus from technological progress. In 1939, for instance, it was estimated that about one-third of the number of persons employed had jobs that were based upon inventions, scientific discoveries, and technological developments. Today it is estimated that possibly one-half of all the employment in the United States is based upon products which come from our scientific research laboratories.

The forces set in motion by modern technology and rising productivity are irresistible. They mean greater abundance, lower costs, price reductions, new products, new enterprises, and millions of new jobs. They mean larger industries with a greater need for trust services. They mean larger pension and profit-sharing trusts and greater use of trust services by individuals.

The driving force of our restless and expanding research serves not only to satisfy the wants of an increasing population, but also to create new wants and higher standards. The frontiers of the mind can never be closed. They are infinite.

The American economy is dynamic in its technology and industrial output, and in the wide distribution of income to the masses. The Joint Committee on the Economic Report has recently estimated that total national output may increase approximately 50% by 1965. They also estimate that business expenditures on plant and equipment may amount to about $60 billion per year by 1965, compared to about $38 billion in 1954. Such growth would create a need for an accumulation of capital on a scale much larger than ever before. Our service as corporate trustees might well parallel the growth of industrial production. Large scale financing by companies would mean more business as transfer agent, registrar, fiscal and paying agent, and depositary. As businesses grow larger in number and in size, traditional trust services will have to be expanded to accommodate the demands for corporate services. Some idea of the growth of America's corporations is indicated by the increase in total corporate assets from $334 billion in 1930 to an estimated $600 billion at present. Total corporate earnings, after taxes, rose from $3.9 billion in 1930 to nearly $18 billion in 1954. Corporate dividend payments reached a record high of nearly $10 billion last year.

I submit that the record conclusively proves that in the years ahead we may expect still greater opportunities. New levels of achievement are before us as the brains, industry, and initiative of America are poured into the channels of economic and social progress. The American people are determined to raise standards of living further. Higher standards of living are inevitably accompanied by a rise in the use of trust services. Trust services do not operate in an economic vacuum. They operate at the center of those great economic forces which reflect the growth and progress of a nation.

Imagination, vision, and affirmative action are required in a growing economy. Changes are forever taking place in the life and enterprise of a living people. Our capacity to grow will depend on our willingness to face fresh problems with fresh minds. We may be confronted with keener competition as we seek to take advantage of new opportunities to provide trust services. The future holds a challenge for us. To meet this challenge, we can draw heavily on the collective experience of the last hundred years to plan for the years ahead. We have the heritage, the trained trustmen, and the inspiration that comes with a realization of the important place our services occupy in the economy.

I am confident that in the growth of trust services the best is yet to come. I am also confident that every competent trust officer and employee has a deep sense of his responsibility. It is this sense of responsibility that will make a reality out of these projections of a still greater future for trust services.

American Water Works Securities Offered

Offering of 225,000 shares of $25 par value cumulative preferred stock, 5½% series, of American Water Works Co., Inc. was made yesterday (Feb. 9) by an underwriting group jointly headed by W. C. Langley & Co. and The First Boston Corp. The stock was priced at $25 per share and accrued dividends.

Simultaneously, American Water Works Co., Inc. is offering holders of its common stock of record Feb. 8, 1955 rights to subscribe at $9.50 per share to 540,894 additional common shares on the basis of one additional share for each five held. Subscription rights will expire at 3:30 p.m. (EST) on Feb. 23, 1955. Northeastern Water Co., holder of 1,625,000 common shares, has agreed that its rights to subscribe to 325,000 additional shares will be exercised. An underwriting group headed jointly by W. C. Langley & Co. and The First Boston Corp. will purchase any unsubscribed common shares.

Proceeds from the sale of the preferred and common shares will be applied to the payment of the company's bank loans aggregating $10,000,000 which bear interest at the rate of 3%. Any balance remaining will be available for additional investments in subsidiaries.

The new preferred stock is redeemable at prices ranging from $26.50 per share through Feb. 28, 1958 down to $25.25 per share after Feb. 29, 1964.

American Water Works Co. is principally engaged in the ownership, control and management of water supply and distribution systems. The company owns and controls 63 waterworks companies with facilities in 19 states serving territories with an aggregate population in excess of 3,100,000. These 63 companies constitute the largest group of privately owned waterworks systems in the United States.

N. Y. Security Dealers To Hear Demmler

Eugene G. Statter, of Hoit, Rose & Co., President of the New York Security Dealers Association announced that Ralph H. Demmler, Chairman of the Securities and Exchange Commission, will be guest speaker for the association's 29th annual dinner to be held Friday, March 11 at the Biltmore Hotel.

John J. O'Kane, Jr., of John J. O'Kane & Co., Chairman of the dinner committee, said that prominent representatives of government, finance, and industry will be among the guests at this year's dinner.

Dean Witter to Admit

SAN FRANCISCO, Calif.—Dean Witter & Co., 45 Mont omery Street, members of the New York and San Francisco Stock Exchanges, on Feb. 17 will admit to limited partnership William M. Roth, Russell Giffen, Gene B. Heywood and Hortense C. Fitz-Gerald.

Barrett Herrick Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Edwin J. Deibert has been added to the staff of Barrett Herrick & Co., Inc., 418 Locust Street.

LETTER TO THE EDITOR:

Why Our Present Currency Is a Wicked Type of Money

Frederick G. Shull in letter to "Chronicle" applauds statement made by Frazar B. Wilde, President of the Connecticut General Life Insurance Co., Hartford, Conn., urging restoration of Gold Standard. Decries the theory that the national budget cannot be balanced in terms of "honest" dollars.

Editor, Commercial and Financial Chronicle:

Having devoted considerable time in recent years to a study of the subject, Sound Money—which "quality" of money has been denied our citizens ever since we were taken off the Gold Standard in 1933 and given the "printing press" substitute, with which we are still operating—the seeming lack of interest displayed by bankers and insurance executives toward a return to specie-backed currency has been rather distasteful, to say the least. It should be borne in mind that we started out with a specie-backed currency under Alexander Hamilton, in 1792; and, with minor exceptions, that "quality" of American dollar was maintained right down to 1933. But there has appeared a ray of sunshine stemming from a recent statement made by the president of a large insurance company, in which he correctly called our present money a "wicked" type of money. Following are the facts of that statement:

Frederick G. Shull

At a meeting in Washington on Dec. 6 and 7, 1954, under the Chairmanship of Senator Flanders, high officials of Treasury and Federal Reserve, economists, bankers and others were in attendance, among them Mr. Frazar B. Wilde, President of the Connecticut General Life Insurance Co., Hartford. Chairman Flanders raised the question as to whether the United States should return to gold convertibility — meaning, of course, to the Gold Standard. Comment by Mr. Wilde was not only forthright, it really hit-the-nail-right-on-the-head. Here are Mr. Wilde's own words:

"I may be biased because of the fact that my business sells money for future delivery, and to me it is a pretty wicked thing to consider the possibility that people will make present sacrifices for future protection, and then get dollars of much lower value." (Reference: U. S. Government Printing Office pamphlet No. 55314, page 88, dated Dec. 6 and 7, 1954.)

Let's give some thought to Mr. Wilde's statement that his "business sells money for future delivery." Is that type of business confined to "Connecticut General"? It is not; for every insurance company, regardless of type of insurance involved, "sells money for future delivery." And is it confined to insurance business? No, it also applies with the same force to the entire banking business of this nation; for every banker is "selling money for future delivery." Let me enlarge upon that point:

When I deposit $100 in a bank, I am paying that bank $100 for, in effect, a guarantee by the bank to "deliver" $100 to me at some "future" date. Am I entitled to receive back the same "quality" of money as I entrusted to that bank? There can be but one answer: Yes! I cannot, of course, hold the bank responsible for fluctuations in "purchasing power" of those dollars; but I am entitled to demand that since the dollars I deposited carried a "value" of $35 a fine ounce of gold, the bank shall reimburse me with "dollars" of the same "quality." And the same applies to insurance policies: When I pay an insurance premium with dollars carrying a "value" of 1/35th of an ounce of gold per dollar, I am entitled to receive the benefits under that policy in dollars of the same quality. In other words, all I am saying is strictly in line with the forthright admission of Frazar B. Wilde—that "it is a pretty wicked thing to consider the possibility that people will make present sacrifices for future protection, and then get dollars of much lower value."

And if one were to ask: Why all this worry—why not leave it to the dealers (bankers and insurance companies) in money "for future delivery"? — my answer would be: This isn't just "peanuts"—it involves hundreds of billions of dollars. For example, U. S. bank deposits as of Dec. 31, 1953, totaled $201 billion; and life insurance in force in 1954, $339 billion—together, $540 billion. Why, that is the equivalent of 528,000 tons of gold, avoirdupois, based on $35 per troy ounce—it is 25 times as much gold as we have buried at Fort Knox and the other repositories. And does that mean that we can't restore the Gold Standard? No, it doesn't, and for the following reasons:

People want very little gold, and are never likely to want much gold; for possession of gold pays no "interest"—and it is much more profitable to have money in a bank at interest, or in an insurance policy for future protection, than to have gold hoarded in a bureau drawer or mattress at "no interest." People merely want "honesty" and "security" — they want assurance that the *standard-of-value*, the *American dollar*, shall not be kicked around by politicians; that it shall be maintained "unchangeable" in "value"—maintained, at all times, "as good as gold!"

And this aim can easily be accomplished if Congress will only take favorable action on one of the gold-standard bills being currently introduced—bills designed to firmly fix the "value" of the dollar at $35 a fine ounce of gold and restore the age-old sound principle of "redeemability," on demand.

Must we continue to accept the theory that the national budget cannot be balanced in terms of "honest" dollars—that it can only be balanced in terms of "printing press" dollars?

FREDERICK G. SHULL,
Connecticut State Chairman,
Gold Standard League.

2009 Chapel Street,
New Haven 15, Conn.,
Feb. 8, 1955.

Emmett Powers Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Emmett Powers has opened offices at 619 Twenty-second Street to engage in a securities business. Associated with him are Ralph J. Batschelet, John J. Jurgensen, and N. John McConahay.

Magill, Wareing & Johnston: New Name

HOUSTON, Tex. — The investment banking firm of Magill, Wareing and Co., Union National Bank Building, has added Douglas E. Johnston as a general partner. The firm will now be known as Magill, Wareing and Johnston.

Other partners are William A. Wareing and Albert E. Magill, Jr. The firm is the Houston correspondent of E. F. Hutton and Co. of New York City and deals in common stocks, bonds and mutual fund shares, offering special services to investors.

Mr. Johnston has been associated with Fridley and Hess, investment bankers, for the past eight years, and was a partner in that firm from 1949 to January, 1955. He was sales promotion manager of Houston Natural Gas Corporation from 1939 to 1947.

Inv. Service Co. Formed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Investment Service Co. has been formed with offices in the Mining Exchange Building to engage in a securities business. Officers are Paul G. Dunn, President and Treasurer, and T. R. Harrington, Vice-President.

Standard Investment Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo D. Bartelme, Jr. and Howard F. Werner have become connected with Standard Investment Co. of California, 210 West Seventh Street.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Only a few years ago the specialist houses in bank stocks were being chided, principally by institutional investors, on what the latter felt was the inability of New York banks to increase earnings, or to make progress marketwise. Of course this view came from those who completely overlooked the fact that these securities are, above all else, a highly conservative type of investment, one whose status in investment gradations is much closer to high grade preferreds than it is to industrial equities, and that therefore they could not be expected to share in the market gyrations of such common stocks.

But let us examine the results of the banks' operations in the past five-year period. First going back a bit further we find that a group of the leading New York City bank stocks, as measured by the "American Banker" index, registered a market gain of 84% from their lows in 1947 to the present time, compared with a rise of, roughly, 150% in the Dow industrial average in the same period—not a bad performance for this supposedly staid group. In the five years, Dec. 31, 1949, to the end of 1954 the gain in market price of the 16 leading New York bank stocks ranged from 120% down to 10%, with an average of 59%. The total dollar appreciation was from $1,829,565,000 to $2,910,651,000, or a gain of $1,081,086,000.

Several components contributed to this better showing, some of them of lesser importance, such as a release of deposit reserves of moderate proportion and the abatement in the Federal Deposit Insurance Corp. assessment. The two principal influences were the increase in invested assets and the betterment in rates of return on loans and discounts and on securities. In the case of invested assets of this group of banks, the total rose from $19,400,350,000 to $24,754,549,000, or by the sizeable sum of $5,354,198,000, equal to 28%. The average rate of net earnings on invested assets at the earlier date was 0.63%, versus 0.74% in the last year.

During this period the only time in which money rates could be considered hard (and then only in a relative sense as we have not seen what, historically, may be called high rates for over two decades) was during the early part of 1953 when high grade bond prices gave way. Yet despite the generally low rates in this five-year span the average rate of return for these banks on their loans and discounts increased from 2.43% to 3.37% (39%); and on either all security holdings or governments alone, according to the way the individual banks report, from 1.60% to 1.98% (24% gain). For the individual banks the average rate of return on loans ranged from 2.57% to 4.15%, and the range on that on securities 1.44% to 2.73%.

The effect of these changes on earnings is shown in a gain of $61,306,000 in the five years; and this gives no effect to securities profits or other non-recurring items. Securities results vary widely, being debits in some years and credits in others. Those in 1954 were at a record high for some years, totaling around $35,000,000 for this group of banks, net. Total operating earnings for 1954, $183,360,900, were up 50% from the total in 1949, $122,054,900. Here the increases in individual stocks ranged from a low of minus 4% to a high of 127%.

The increase in dividend disbursements did not keep pace with that in operating earnings. In the five years dividends were up $35,447,000, or 44%. The dividend pay-out ratio (cash dividends: operating earnings) was 68% in 1949; only 65% in 1954. As none of these banks are in pressing need for new capital funds as an offset to deposit liability, this condition of dividend disbursements lagging behind the earnings gain, augurs favorably for further dividend increases, and these will come either as cash, or as stock dividends with no reduction in the cash rate.

In our five-year period total book value, exclusive of reserves, increased from $2,362,855,000 to $2,608,582,000. Omitted from the latter figure is the $131,000,000 of new capital funds contributed in late 1954 by National City Bank's shareholders in exercising rights to purchase new stock. This is an increase of only 10%; but the important fact is that, relating the two totals to operating earnings at the respective dates, we find that the rate of earnings on book value at the earlier date was 5.2%, while this increased about 29% to 6.7% on book value in 1954.

The bank shares are responding to the impetus of the steadily improving fundamentals in the banking business. There are indications of scarcity situations in some of the higher price stocks.

Joins Mason Bros. Staff

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Frank D. Stables is now with Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange.

G. K. Schueller Joins La Montagne-Sherwood

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—George K. Schueller is now connected with La Montagne-Sherwood & Co., 418 Waverley Street.

Continued from page 3

Economic Roads and The Automotive Industry

sumption we reach in the future, the creation of production in excess of that level for any protracted period will impose the same ruthless deflationary punishment upon the offenders—and perhaps the innocent as well.

The Impact of "Automation"

Nor should we be unaware of a new factor which is destined to play an increasing role in our economy and particularly in our production methods. This is the era of automatic factories—labeled "automation." Here is a method of increasing the productivity of our manhours and of our industrial capacities. There are great benefits inherent in automation and there are problems as well; and its development demands an increased tempo of sales and consumption to absorb the increased results of this intensified method of production.

In the field of automation, the automotive industry is playing a leading role. The capacities, capital, and ability of the units of this industry have combined to make it a leader in the growth of automation. And the results will affect the economy as a whole as well as the automotive industry, in particular.

It would seem, therefore, that as a result both of present circumstances and of future probabilities, we are much more likely in the future to live in an economy of buyers' markets. That does not mean a depressed economy. But it does mean that selling must be recreated as a device; and fatty deposits must be removed from between the ears or from the hips.

The stake all of us have in growth is great indeed. It is not enough for us in America to have a period of stable business. Stability is not a benign or even safe economic condition for us to enjoy. In fact, that kind of static situation could well be catastrophic for it could bring with it the increasing unemployment that comes first from constantly increased productivity and the consequent reduced manhours required by a given level of business and second from the enlarged ranks of workers that result from a rising birth rate. If competitive enterprise rather than state opportunities is to offer adequate employment to men and women, it must grow and it must grow more and more rapidly.

In that requirement for future growth, many segments of our economy will participate and many forces must be integrated.

The Need for Correlation of Production to Consumption

How will the automotive industry participate in this future of a dynamic economy, so essential for our prosperity, peace, and freedom?

In any estimate of the future, it is essential to emphasize again and again that whenever our volatile manufacturing capacities are used to create quantities of products in excess of the willingness of the market to consume those quantities, then recession in the economy and stoppages in the industry and problems for the dealers will result.

However, even assuming that production is correlated with consumption, there still remains the measurement of the probabilities and adequacies of the sales and consumer markets.

It is not easy to measure quantitatively the elements of a sales market. They are too variable and too indefinite. But, nevertheless, they are very real.

To make a "guesstimate" about a market for a product, it is necessary to make guesses about the product as well as estimates of the market.

American Automobile Will Hold Its Position

It is fairly safe to assume that the American automobile will hold its present superiority as a mechanical device and will continue to improve in performance and value and style.

It is also assumed that the callouses which some unkind observers claim have become very general though localized phenomena of some lethargic sales organizations will disappear. These factors of style and mechanical design and sales efforts are parts of the stimulation of the desire of people for products like cars.

In addition to desire, there are two other ingredients in the development of a market: One, the ability to purchase and, second, the need to possess.

The ability of individuals to purchase is, of course, essential for the sale of products to them. However, the purchasing power which creates ability to buy is the derivative of an active economy, accumulated savings, and the use of fractional selling or installment buying. A careful estimate of the probabilities of the ability to buy would require a detailed study of the entire economic picture. That is not feasible at this time.

It can be said, however, that the outlook for the creation of purchasing power in general, appears satisfactory for the period immediately ahead of us. The savings of the people are running at more than their ordinary level. Presently we are adding to an estimated $450 billion of accumulated savings a yearly amount of about $30 billion. But it is to be hoped that all of those concerned with the important elements of our nation's fiscal management will not forget that the fractionalization of high ticket prices that has come from the use of installment buying has become an integral part of the buying pattern of a very high percentage of American families. Nor should they forget that historically this type of credit has had a record of extraordinarily low losses. And, finally, it seems clear that this use of fractional selling has contributed greatly to the building of those consumer industries which deal with large unit prices like appliances, automobiles, homes, etc.

The Factors of Need

There remains for us the necessity of analyzing the factor of need as an ingredient in the sales market of the future. We are assumed to be a nation of families that must roll on rubber for the fulfillment of its pattern of industrial and social living.

The automobile is basically a family product. That is, it serves the family primarily rather than an individual member—unless it belongs entirely to just one member.

Its design and style and color and prices must appeal to all the members of the family — or at least a majority of them.

Presently our 47 million families own a total of 47 million automobiles, or an average of one car per family.

Ahead of us there lies the probability of a temporary decline in family formation as a result of the relatively lower birth rate of babies during the 30's, which babies are now having babies of their own.

Beyond the ebb of family formation, there is assured a rising tide in the number of family formations when the very high birth rate since 1940 expresses itself in the creative activities of these babies a few years hence.

Carefully made estimates indicate that the average life of the car has lengthened somewhat but not dramatically. Therefore, assuming that the habits of American families in terms of riding on rubber does not undergo a change, the total need for automobiles has not been exhausted by recent past production. There seems to be reason for assuming that the normal requirement of a domestic market for cars over the next decade will rotate around an estimate of 5.7 million to 5.9 million cars annually.

However, this assumption is based upon the use of precedent as the basis of the average American family's need.

The present population of cars indicate a figure of one car per household. Is this figure likely to increase or decrease? For the changes of this co-efficient up or down are most significant factors, not only in the number of cars to be sold but in the tires to be used and particularly the gasoline and oil to be burned. In fact, the results that are to be derived from the influence of these changes in the factor of need may well overshadow for decades the promise and probabilities of nuclear energy as an element in the automotive and its collateral industries.

The Future Need of the Automobile

The future need of automobiles in the American scene is being subjected to dramatic and far-reaching modifications in our working and living patterns.

Among these, two seem to bulk as the most important.

The first is the very number of automotive vehicles and the inadequacy of our cities' design which together have combined to create a traffic problem that interferes seriously with pleasant dispositions and efficient travel. There has been expressed by important members of the automotive industry a fear that this increasingly adverse traffic condition will suffocate the free growth of the automobile population. It is difficult to accept that conclusion, because it is almost impossible to visualize the alternative. Surely travel on foot is not likely to be accepted as an alternative by Americans unaccustomed to walking. And the age of transport by helicopter for freight, express, and passengers does not give promise of soon making cars and trucks obsolete. The difficulty of traffic and parking is creating and is likely to create an increasing problem for the dense center areas of the cities. And it is essential that the values and attractions of urban centers should be made available to the users of automobiles by the adequate development of arterial traffic channels and strategically located parking areas. However, before the influence of dense traffic conditions upon the automotive industry is fully measured, it is necessary to trace at least the outlines of the second and greatest recent change in the design of American living.

This second change is that which relates to the decentralization of the dwelling pattern of the American family. The term "suburbia" has been applied to this phenomenon. Regardless of labels, the phenomenon itself is concerned with the migration of people from the cities to dwelling areas miles from the centers of town.

The causes of "suburbia," like those related to other social revolutions, are probably complex. Unquestionably, however, the increasing burden of traffic conditions in the cities is one factor. Another, and in my own opinion more important, catalyst in this sociological development is the five-day work week and the consequent two-day weekend.

The five-day week was born in a depression and was, in part, a result of the "share-the-work" movement. Today, it is the general pattern of work schedules. As a result, families can live together as a unit—including the father—from Friday evening until Monday morning.

This hugely increased period of so-called "leisure" is revolutionizing American living habits and patterns. And the process is still very young. Families are willing and anxious to live nearer the country or even out in the country. New centers are developing. New housing areas are being built. As collateral to them, new roads, new sewers, new churches, schools, and shopping centers must be built. And, finally, industry and commerce are proceeding to de-centralize, not for the purpose of meeting the requirements of defense but to tap the new labor markets by offering shorter periods of transit to and from work for the newly established residents of the newly built dwelling areas. Moreover, this form of decentralized living offers an escape from the problem of urban traffic conditions.

New Roads and Auto Production

New roads are a derivative of this development of suburbia. But as is true in so many conditions of action and reaction, suburbia itself is in part the result of the rapidly changing road map of the country.

The "turnpike" is a fairly recent road development for us. It is already a giant in its present impact. And its future dimentions promise to be truly colossal. Turnpike travel is changing the measurement of the radius of the areas of population from distance to time. Ten minutes could mean one-fourth of a mile, or less, to one crawling on a crowded city street; it would mean ten miles of safe travel along a modern turnpike. As the turnpikes develop, suburbia could well move further and further from the centers of our cities.

The changes in family life will be great. But so, too, can be the changes that will come to the American automotive industry—if its manufacturers and dealers are skillful enough to recognize the influence and wise enough to make proper use of them.

Obviously with the growth of a more and more decentralized pattern of work and living, travel of individuals and family will become increasingly more important and continuously will cover greater and greater distances.

The family and its members must travel along longer radii from home to work, home to school, home to church, home to shop, and home to other homes. Railroads are not likely to be extended in order to service the supply requirements of these increasingly remote centers; the truck and trailer must fill the demand. Buses will carry part of the passenger load when the concentration of population is sufficient; and buses are automotive units. But the overwhelming portion of that load must and will be carried by passenger cars. The use of a car to travel to work and by the family to move from home to school, home to shops, and home to homes, indicates clearly the increasing need for multiple car ownership by millions of families as the decentralization of our population grows.

The conclusions and developments that can be distilled out of these rich ingredients in this American revolution of living patterns are many and far-reaching. What effect will be imposed upon the number of cars per family and therefore the total car population of the nation? If a second car becomes a true necessity for the bulk of American families, will it be a used car—and if so, what effects can we assume will flow from that fact? Or will it be another new car; and if so, will that car be a duplicate of present home to homes, indicates clearly day size, style, colors, design, and price? Or will this second car be primarily a utility unit—small in size, stripped in design, and very low in price?

Then it is necessary to measure if possible the effect of increased population on segments of our economy, collateral to the automotive industry itself. What would multiple car ownership by millions of families mean to the average milage of each car and therefore its average life? What will the effect of increased car population be upon gasolene and oil consumption and therefore upon the petroleum industry? Will the consumption trend remain unchanged; or will it move up; or will it move down? For in the answers to these questions, I repeat, there lies an impact upon the oil industry more important than the probable influences of the developments of nuclear energy over the next quarter century.

Nor are the effects of "suburbia" limited to design and oil consumption. For those interested in distribution and for the dealers particularly, there are likely to develop many new problems and factors. Where will the markets be? What will those markets require? How will they be financed? How will the changed form of the second hand market be handled?

What kind of selling will be required? And what kind of organization must be organized and developed? Will it be sufficient for dealers' organizations to sit and wait? Or must they seek and make their approaches directly to family units in the suburban areas in which more and more families will live?

It is indeed a dramatic economic period that lies ahead of us. It is full of promise; and by no means free of problems. These conclusions apply to the economy as a whole and to the automotive industry as well. Ahead are markets by no means fully saturated; but because of our present capacities and the future probabilities of these capacities under the influences of automation, we are likely to live not in the sellers' markets of the war years of the 40s but in the buyers' markets that have obtained since 1953. Moreover, those markets, as vital as they appear, are undergoing great changes and will undergo even greater changes in the future.

Production schedules which abuse the needs and demands of the markets will do so only with the risk of serious inventory liquidation — and economic recessions or depressions.

Distribution that fails to recognize fundamental changes in the markets for its products and distribution that fails to improve its techniques of research, sales analysis and sales methods will do so only with the certainty of inventory accumulation, liquidation, recession and profitless results.

Yes, the problems ahead are likely to be great. So, too, is the promise.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles J. Heasler, Jr. is now with Founders Mutual Depositor Corp., First National Bank Building.

Rogers Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John D. Deets has become affiliated with Rogers and Company, Kittredge Building.

Securities Salesman's Corner

By JOHN DUTTON

Concluding excerpts from writings and speeches of Henry L. Doherty in the years 1912 and 1913. Collected by Mr. C. J. Stubner, Resident Partner of Stubner & Co., Union Trust Bldg., Pittsburgh 19, Pa., Members of Pittsburgh Stock Exchange.

"Almost all our human troubles come down to a matter of incompetency and nothing else."

Over four decades ago Mr. Doherty made this statement. During the years that marked the era when men of ability and vision laid the foundation for the great industrial organizations that now are so vital to the welfare of this nation, this straight forward philosophy was accepted by our people almost as gospel. In the last analysis there still can be no valid argument among those who are willing to face the facts of life, that a man must stand on his own two feet in this world if he wishes to achieve the satisfaction that comes from self reliance. Mr. Doherty put it this way.

"I believe that the greatest work that we can do to help the modern workingman is to try to teach him to handle his money." Touching on the matter of pensions he had this to say. "I think many of the teachings to the workingman are of a character that tends to rob him of thrift and to put a premium on pauperism. I believe every good American should exert himself in every way to teach thrift to our people and I am hoping it will develop into a national movement. The acknowledgment on our part that an employee is entitled to a pension is, to my mind, a dangerous thing. In doing this we are doing what every demagogue in the country is trying to do. Instead of telling the workingman the real truth we are giving him sop, for the sake of favorable opinion, just as the worst demagogue hands him a lot of sop to get his vote. I have often been inclined to create some sort of savings fund and give my employees a certain length of time to avail themselves of it, with the understanding that if they do not do so, and if there was not some excellent reason for their non-performance, they would be told to seek employment elsewhere; as we did not want a lot of pauper workmen but wanted thrifty men who were able to take care of themselves and their families."

"Without a promise of a pension many men would lay up money to provide themselves with a fruit farm or something like that for their old age when they become incapacitated for active, strenuous work. Without the promise of a pension if they hold on, you are apt to have men in your employ who are no longer very efficient and who otherwise would have left your employ."

And About "Work"

The following is a refreshing observation in these days of shorter hours, more leisure, and increased nervous tension.

"Not long ago I heard a young man complaining because he had to do office work in the evening. He was walking along the street with a friend and as I passed I heard him say: 'I am supposed to work only eight hours a day and that's all I am going to work.' I did not hear the rest of the conversation but what the young man had said helped to prove my theory that the increasing trend toward shorter hours is one of the reasons why the young man today has an exceptional opportunity to achieve success. When most people are willing to work only eight hours a day the opportunity for the young man who has no aversion to work must be apparent. He has less competition than ever before in the world's history. Salaries and wages would be as cheap as peanuts if the boss placed the same value on the employee's working time as the employee places on his own leisure time."

And he concluded:

"If a man yearns to have two working hours less each day in order to have more time for outdoor recreation, for education and bringing up his children, for profitable reading or anything else that makes for the improvement of himself and his family all well and good; but if he desires shorter hours for the purpose of having more time for mere idleness, then I say that at heart he is just a plain loafer."

And About Investment

"When the ordinary man goes into the stock market, the cotton market, or goes into any other market he may win but he will assay at least 20% sucker because he is otherwise trying to carry on the business of price anticipation against experts in this field of activity. The kind of securities for a man to buy who has other business rather than stock speculation is the kind he knows are good, that he can lock up in his safe and wait for additional value, or that he is trying to keep because they yield a satisfactory return. The average man has no business whatever dabbling in the other fellow's game and that is what he does when he speculates in the stock market. The thing to do is to make up your mind what class of securities you are going to buy, and then you are not going to care a darn where the market goes on those securities—you are going to hope it is going lower because then you can get more of them cheaper when you have more money to put into them. But then eventually you feel they are worth so much, and you are likely to get so much out of them with patience."

Self reliance, initiative, and a sense of individual responsibility on the part of the men who built this nation during its maturing years (between the turn of the century and today) were the qualities which were valued above panaceas, short cuts, and paternalism. Men who had what was then termed "common sense" were not only respected but were consulted when leadership was required.

It would appear to this writer that there is a need for more clear cut, common sense thinking in almost every phase of our nation's life today. Although Mr. Doherty wrote and said these things over 40 years ago they have lost none of their clarity or their validity.

With Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Ben Barrick, Arthur G. Bursch and Edward M. Pragerman have been added to the staff of Daniel D. Weston & Co., 140 South Beverly Drive.

3 With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward T. Cronin, Clinton H. Perkins and Daniel F. Rice, Jr. are now connected with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Cronin was previously with Paine, Webber, Jackson & Curtis; Mr. Perkins with Dempsey-Tegeler & Co.

Phillips Securities, Inc. Formed in Milwaukee

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Phillips Securities, Inc., has been formed with offices at 5856 North Port Washington Road. Officers are Ralph T. Phillips, President; Eugene C. Wulff, Vice-President; and J. A. Kaczanowski, Secretary and Treasurer. Mr. Phillips was formerly vice-president of the Marshall Company, with which Mr. Wulff was also associated.

Lewis Frank Brokerage

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lewis M. Frank is engaging in a securities business from offices at 1561 North Western Avenue under the firm name of Lewis Frank Brokerage Company.

General Motors Corp. Offers 4,380,683 Additional Shares of Common Stock at $75

Record Equity Financing Underwritten by 330-Member Group Headed by Morgan Stanley & Co.

The complex machinery required to handle General Motors Corporation's record offering of 4,380,683 shares of additional common stock to its common shareholders was set in motion yesterday (Feb. 9) with the initial mailing of transferable subscription warrants to the 460,000 holders of its common stock. While a majority of the shareholders live in the United States, General Motors has a substantial number of shareholders living abroad.

Morgan Stanley & Co. will manage one of the largest corporate underwriting groups ever assembled, numbering 330 members who will purchase any unsubscribed shares.

The subscription price for the new stock has been set at $75 per share on the basis of one new share for each 20 shares held of record on Feb. 8, 1955. The subscription offer will expire at 6 p.m. (EST) on March 7, 1955.

The financing involves approximately $328,500,000 and represents the largest public offering of an industrial common stock in history. It also stands as the largest underwritten corporate security offering of any description ever made.

The proceeds from the sale of the additional common stock will be used by General Motors for continued expansion and modernization and replacement of plants and facilities and for working capital. During the six years ended Dec. 31, 1954 General Motors spent more than $2,100,000,000 for real estate, plants and equipment. This was approximately $1,260,000,000 in excess of the amounts provided for depreciation and obsolescence in those years. During these years the increased plant and working capital requirements have been met by retained earnings which have amounted to approximately $1,500,000,000 and by the sale early in 1954 of $300,000,000 of debentures.

Consolidated net sales for 1954 are estimated at $9,825,000,000 and consolidated net income at $806,000,000, equivalent after preferred dividends to $9.08 per share on the common stock outstanding. Dividends amounting to $5 per share were paid on the common stock in 1954 and a quarterly dividend of $1 per share has been declared payable on March 10, 1955 to shareholders of record Feb. 14. The additional shares now being offered will not receive this dividend.

Continued from page 6

Still New Frontiers to Conquer

other day, and he was recalling when he was looking Midland over, and Midland was looking him over with a view to his becoming City Manager. He thought the outlook was good, of course, but he didn't have any idea **how** good. And he said, "You know, if I'd known then what was going to happen here in three years I don't think I'd have taken the job."

He hastened to add that he is mighty glad he did and that he wouldn't have missed it for anything. But, "At that point," he said, "I think it would have scared me."

You all know that Midland hasn't been standing still, but most of you probably haven't sat down to really draw any sort of picture or summary of this past five years of growth. I don't by any means have all of it, but I do have a few examples of the sort of thing Ray Fry was thinking about.

In five years we have built more than half a million dollars worth of sewers and put more than $1½ million into paved streets. Since 1950 we have completed a $1½ million school project and voted bonds for another $4,700,000.

Our population has grown at the rate of about 400 people per year without considering annexation or the annexed area, which added 14½ square miles to our corporate limits. We have nearly doubled our hospital facilities. We have seen the development of the Currie municipal golf course, the beginning of Chippewassee park and a substantial start on a new community center. This summer should see the completion of the new M-20 bridge, and within a few days or new library will open its doors.

Altogether we have seen nearly $7 million worth of commercial construction. That doesn't include any Dow construction, by the way, but it does include a half a dozen churches. You may not consider the works of God commercial, but whoever issues building permits around here apparently takes a very businesslike attitude, because they gave me these figures lumped together.

Midland people seem to have done pretty well individually, too. Midland county retail sales have risen from $26½ million in 1949 to probably around $45 million last year. The figures aren't in yet.

In five years Midland people have bought 8,358 cars and 925 trucks — not counting those they bought outside. Those are **new** car sales, by the way. And the city has had to add a bunch of new parking lots to take care of them. So, I might add, has Dow.

And while they have been spending all their money for cars somehow they have built more than 1,100 new homes — $12½ million worth — and have spent another $2 million for alterations, garages and what-not. And that, again, does not include the annexed area prior to its annexation.

All this, to me, is pretty impressive. Ray Fry, who says in one breath that it sort of scares him, turns around in the next and calls it "orderly development." He is right, of course, for we have encountered no really acute problems. A much more rapid rate of growth than this would get us into "boom" conditions leading to confusion and very serious problems in keeping up with the need for school facilities, utilities, services and so on.

If we have been orderly it has not been because we have been peacefully asleep. We have been inspiringly wide awake.

Now, I well recall that five years ago I was deeply concerned —as, I am sure, were some of you —about a sort of insidious galloping Socialism that seemed to be rapidly approaching the point of no return. In fact, it was my principal purpose to reaffirm that the marvelous progress we reviewed had been the direct result of traditional American freedoms and incentives rather than through master plan, legislation or decree.

And if that were not enough we need no better clincher than the record of these past five years which are still fresh in our memory. For I would indeed be interested in learning what plans or decree has produced the things I just cited.

There has been no such plan or decree, yet the same sort of progress, in greater or lesser degree, has been going on all over this country of ours during the same past five years. In fact, we have had fewer plans and decrees. We have, thank heaven, begun to return before we reached that fatal point where it might have been too late.

The last time I stood before you I mentioned the unhealthy symptom of the proposal for health insurance — socialized medicine. That has been beaten almost into the ground. It may rise again, to be sure. But the planners will not find it an easy matter.

I mentioned governmental action against industry under the anti-trust laws which was in reality much more a matter of persecution than of honorable and just prosecution. The Du Pont case was a specific. Within just the past few weeks you have read in your papers the result of that five years of costly litigation. And the symptons are that there will be little more of that sort of nonsense — for we now have an Administration that reconizes that bigness and badness are not synonymous—that recognizes that the large corporation is just as much a natural phenomenon of our 20th century society as the home craft shop was a part of 16th century society.

We have at last an Administration which is not anti-business. Neither is it anti-labor or anti-agriculture or anti-anything else. It is **pro** all of them and strangely enough credits these groups with enough intelligence and dignity to work out whatever problems they may have in good faith and without a governmental chaperone forever trying to run the show.

So in five years we have taken a long step away from maximum government intervention and control toward the direction of a minimum of such thinks. During the same time we have seen the end of a deliberate policy of inflation that was as stimulating as a fifth highball but certainly no more discreet. We have seen a leveling off — even a curtailment — of Federal employment that has been growing so steadily for years that one began to wonder seriously how long it would be before one civilian worker would be in the position of supporting ten government employees.

We have even seen a reduction in taxes. Of that I hope we shall see more, but we cannot expect it until we can see a very real reduction in the cost of government. And that is partly a matter of world conditions and partly a matter of further overcoming the Santa Claus complex that grew to distressing proportions during 20 years of government handouts.

All in all I am extremely pleased with the past five years. We have seen most encouraging progress in all directions—in science, in medicine, in industry, in living standards, in governmental affairs, even—and I say this somewhat with my fingers crossed—in international affairs.

So what now, young man? Have we, this time for sure, reached the plateau, or the zenith from which the only direction is down? Or have we achieved such a high state of perfection in our society that we can sit smugly counting our blessings and recounting the battles through which they were won?

We know better. I should not attempt to make any prediction of what the next five years will bring . . . or the next ten or the next fifty. But I would express an opinion that we are faced today with perhaps the most golden opportunities of all time.

Now, I would have to qualify that by saying that it depends very much upon whether or not we are able to resolve our international problems and achieve some sort of lasting peace.

Let me put it this way. Most of us here tonight—and we are typical of all the other business and professional people in the country — have intimate experience with only the past 20 or 30 years; many with far less than that.

I contend that for 25 years, a quarter of a century, we have been operating almost continuously under some sort of abnormal circumstance. You can start back with the crash and the depression which followed. The bottom dropped out of our credit system. All manner of business underwent forced liquidation. We were discouraged; we had lost faith in others and faith in our own ability. Those were painful years, as damaging psychologically as they were financially—hardly a time when an economy or a society could realize its potentials.

With scarcely a noticeable break in between we went from depression into a wartime economy with its frenzied demand for goods, with its inflation, with its preoccupation with developing tools of war rather than tools for the betterment of man. And until very recent months we have been under some such influence ever since.

As I put it recently our economy has been under the influence of either benzedrine or seconal for 25 years. We have either been racing madly to accommodate an artificial demand or been suffering from the inevitable readjustment that occurs when that demand suddenly ceases to exist.

In short, some of us have forgotten what a **normal** economy is. Others of us have never even **seen** such an animal.

I submit that for the first time in a quarter century—for the first time in the experience of many of today's citizens and business leaders—we are confronted with a normal, a new normal, if you please. A much finer and brighter normal than we had back in the 20's, and one which is not so subject to the hazards of that other period. Because we did learn a few things from its downfall and do something about them.

Now the thought that intrigues me is this: IF we are indeed in a new normal, and IF we can maintain even a shaky sort of peace, what an unprecedented opportunity we have to better ourselves and all things about us. Unprecedented because we have an additional 25 years worth of accumulated knowledge to work with.

We have spent billions, year after year, for our military machine. Can you visualize the possibilities if we can now use even part of those billions for the machinery of peaceful society?

Much of our scientific and industrial research and development has been aimed at the military aspect of all manner of devices and materials. Happily a better aspect has often been inherited as a sort of residue. But how much greater our opportunity if that research could be aimed directly at the peaceful end instead of the military end.

There is a whole world of things to be done if we can only be allowed the opportunity of devoting ourselves wholeheartedly to doing them. And if we can do them we shall not have to worry about sustaining a thriving economy. That is part and parcel of it.

We have poured millions of yards of concrete in airstrips for bombing planes while our highway system has been sadly neglected. We have spent untold millions in developing tanks and amphibious vehicles and other military conveyances . . . in perfecting our military aircraft . . . in making them almost "pilot proof." Meanwhile our automobiles have become faster, more comfortable, more beautiful—but no safer.

We have taught thousands of young men to become highly skilled and judicious pilots. But we have not done so well in teaching people to become equally skilled and judicious drivers. And so increasing thousands of lives are snuffed out needlessly every year. It is to our shame, but perhaps partially from lack of opportunity, that we have not even begun to find the answer to such absurd self-destruction.

We have spent millions in teaching our young men the art of killing and the most scientific methods of sabotage and mass destruction. And we have developed highly efficient methods of accelerated education in these fields.

Meanwhile our schools are overcrowded, our teachers paid so meagerly that our supply of educators is in danger of drying up, and our endowment colleges struggling for existence.

We have had to pour millions into hospital facilities and medical care for disabled veterans, and into the development of means of treatment and rehabilitation of disabilities peculiar to the ravages of war.

I don't begrudge these men a dime of this money or an hour of time, but I do begrudge the fact of its necessity. How encouraging if we could be assured that in the future we will be able to devote more dollars to our regular medical facilities and our energies to battling the disabilities man does not bring upon himself.

We read that 1955 **may** be the beginning of the end for polio. Let up pray that this be so; but then again it may **not** be. And what of cancer? What of tuberculosis? What can we do about cerebral palsy and muscular dystrophy? What can we do about heart disease and a hundred other disabilities that man does not inflict upon man, but that cause widespread suffering, sorrow and death? What, finally, can we do about the sick mind that seems to be an especially prevalent plague of our generation? We are **really** in the dark ages so far as psychiatry is concerned, with woefully little knowledge and only a fraction of the trained professional people that we need in this field.

I am not concerned for our economy in the future or that we shall not make amazing refinements in our industrial machinery—in material things. But how nice it would be to have the opportunity to refine our society—to really go to work on some of the deeper problems that beset us.

Running across all these things is the over-riding problem of human understanding. It is obvious that we need it between nations, but we need a great deal more of it within our own so-called melting pot. Is it really a melting pot or just a hopper in which we stir up a lot of different entities and hope that there won't be too much friction?

Legally, an American is an American, but if you wrote down "American" under "nationality" on some sort of application you might well have to argue the point. We still think of people as French, English, German, Norwegian and so on, and if we can't label an American as such then we want to know what his "extraction" is.

We are pretty much aware that we still have too much racial intolerance; that it is a perplexing problem not solved in a day. But we are less aware of a lot of other intolerances that we should be too intelligent to brook, and that serve to keep us from being quite as happy and cooperative and progressive a nation of people as we might be.

We have a two party political system. It is basically good and not something we should take lightly. But when we take our political differences over into our business life, or when we refuse to admit that a man could possibly do anything right just because he is of the opposite political faith, then we have become blind and stupid.

And in 300 years we have still not resolved our religious differences. I would like to read you a letter. As a result of our MEDIC program we are, of course, hearing from the public in a way we never did before. They write all sorts of things—most of them pretty nice, I'm happy to say—and on the whole these letters give you a fine impression of the human race. But once in awhile one gives you a different impression.

Here's a prime example:

"My family and I would like to bring to your attention that we watch your program solely for entertainment purposes.

"We think it is perfectly outrageous that the Dow Chemical Company had to resort to missionary work for the Catholic Church in presenting last night's show.

"We can tell you quite frankly that if we are ever subjected to a sight-seeing trip of the Catholic Church again by the Dow Chemical Company, it will be the last time we will ever tune in on the program, MEDIC.—(Signed)—An American."

If this self-styled "American" had had the courage to sign his name I think we might have reminded him that the Constitution of the country of which he proudly proclaims citizenship guarantees religious freedom. And I think we might have suggested that to the degree that his type of bigotry exists, Constitutional freedom is more a matter of technical legality than living actuality.

He is an exception, to be sure. But not as much of a rarity as I wish he were. Too many of us still have blind spots, prejudices, unreasoning convictions that serve no constructive purpose — that only upset our individual emotions and obstruct our collective advancement.

So you see for all our wonderful accomplishments we have reached no pinnacle—no state of perfection. There are infinite worthwhile objectives toward which we can channel our energies if we are not forced once again to dissipate them in merely trying to keep the world from falling apart at its national seams.

We have had a lot of "ages" throughout history. We had the stone age and the iron age and the bronze age. Some folks think that, industrially, we are entering a chemical age. That, of course, would not distress me in the last.

But these things concern mostly only the material aspect of human civilization, and they can serve fully only when the soul of civilization advances along with its physical tools.

Our soul is not mature and is a long way from perfection. And it has taken a pretty bad beating to boot.

Economically, I do not need hope because I have complete confidence economically. So my real hope for the future is that we are entering an age when we shall have the opportunity—and shall be alert enough to grasp it—of ironing some of the kinks out of our way of life.

If we can do that we shall be making a real contribution toward solving the greatest problem of them all—making the civilization of this planet a little more civilized.

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The United States Stake In Canadian Expansion

straint which have marked our relationship thus far. It suggests, also, that Canadians and Americans must work harder than ever before at the job of being good neighbors. Vast changes in the countries themselves, and in their global roles, make the preservation of this relationship at once more vital and more difficult. The simple process of letting each other alone as much as possible—which has played a greater part in our traditional amity than we might suspect—is not enough as events of today and tomorrow crowd in upon us. It is time now to develop as many new and additional points of contact as possible between our respective peoples, in order to broaden and deepen the base of our friendship.

By this suggestion I don't mean only that we should find more points on which we can agree. If we can, so much the better. But there is also something to be gained if our businessmen, our politicians, our scientists, our educators — to name only a few groups—can develop a better understanding of how and why, on certain issues, we disagree.

I think it's important to realize that sources of tension do exist between us. Let's not pretend that there's no tariff problem, no commercial rivalry, no differences in matters of global policy, no disagreement over how to deal with subversion.

Or take the matter of natural resources—the sources of energy—water power, oil and gas, for example. It so happens that the Providence which so generously blessed our two countries with these gifts of nature located many of them in such a way that, if each of us is to get the maximum benefit from them, they will have to be developed by our people either jointly or in close coordination. Such problems as these must be worked out along lines that are rational rather than narrowly national.

We must be candid about our problems. In this day of barriers between peoples, we are happily free of any kind of "curtain" between Canada and the United States. How unfortunate it would be if we were unwittingly to erect a "velvet curtain," woven out of a wishful pretense that no conflicts of interest exist between us. Such a screen would obscure the need for constant, conscious effort to keep the relationship between our countries live and flexible, adequate to the changing requirements of changing times.

A few words further about changing times. It is nothing new to say that Canada has under way an economic expansion of gigantic proportions. No one dares predict the exact proportions this growth will ultimately attan, but there is no questioning that it will be enormous.

Nor is there any doubt that it will affect Canada's relationships with the United States. It is certain to result in an even larger volume of trade between the two countries, an even greater interflow of investment capital, an even broader exchange of ideas and techniques. In these developments, Canadians and Americans alike see vast opportunities. They also see heavy responsibilities. And they realize that the one goes along with the other.

An Enlightened Approach

On both sides of the border the approach to this unfolding new era is an enlightened one, a mature one. There have been times and places in history where the prospect of quick economic growth in one country would have caused grave concern among its neighbors, who instinctively would have looked for means of slowing down their competitor's progress. How different is the attitude we now find on our continent. Far from worrying about our neighbor's expansion, we in America realize that Canada's progress will help keep our own economy growing. Canada, meanwhile, welcomes American participation in its greatly increasing activity.

These two countries, in the current situation, are writing one of the most eloquent chapters in the history of free enterprise. There's a lesson, both economic and political, for the whole world in the dynamic interaction between them. Much of the credit for this can rightly be claimed by the businessmen of both countries, but their governments likewise deserve praise for wisely creating a climate in which economic forces are free to work, even across national frontiers.

In concluding, I feel I must put in a special plea for patience in the busy days ahead, when Americans may occasionally be unable to resist the temptation to act like an older brother and volunteer some well-meant advice. You see, we've been regarded as a short-pants nation for so long by the countries of Europe, you can hardly blame us if now and then, when we get a chance, we try to sound like the voice of experience.

Whenever we seem to be overdoing it, I hope Canadians will good-humoredly recall an observation made not long ago by one of their businessmen. He was asked by an American whether he and other Canadians like him weren't a little terrified at the vast job of industrial expansion lying ahead of their country. "Not at all," he replied; "up here we believe in learning from mistakes, and if you fellows south of the border will just keep on making them, we'll keep on learning and everything will be all right."

Well, I can't guarantee the mistakes, but I do share the Canadian gentleman's confidence that, with our best efforts on both sides of the border, everything between us will be, not only all right, but better and better as time goes on.

Walston & Co. to Admit

SAN FRANCISCO, Calif.—Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, on March 1 will admit Juliette B. Ulfelder to limited partnership.

Hemphill, Noyes Opens New Syracuse Office

SYRACUSE, N. Y.—Hemphill, Noyes & Co., members of the New York Stock Exchange, have announced the opening of a new office in Syracuse, N. Y. under A. C. Bickelhaup, Jr. and James C. Tormey, Jr., co-managers. The new office is located at 613-14 State Tower Building. Mr. Bickelhaup was previously with Cohu & Co.

Coombs & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—J. Malcolm Johnson, Jr., Robert C. Klahorst, Edgar J. Korgman, Ray C. Moore, Ralph A. Ramsey, Louis M. Snyder, Robert D. Swanger and Manuel V. Taylor have been added to the staff of Coombs & Co. of Los Angeles, Inc., 602 West Sixth Street.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market is fitting the refunding issues into the general scheme of things with most of the attention now being given to the new 40-year 3% bond. There has been, and no doubt there will continue to be, many more switches from the outstanding obligations into the longest Treasury issue. Non-bank investors, that is the insurance companies, savings banks, pension funds, and to a not unimportant extent those commercial banks with sizable savings deposits, are still putting the new 3s into their portfolios.

The coordinated program for limiting the availability of credit that goes into the stock market and the mortgage market, which is being carried out jointly by the Federal Reserve Board and the Treasury, has not been too vigorous so far. Accordingly, many money market specialists are watching the weekly statistics very closely to see whether or not there will be further turns made in the screws to put more pressure on the money markets.

New 40-Year Bond Well Received

Non-bank investors come into the market for the 2⅞% issue near the end of the subscription period and helped to put over the new 3% government bond. There had been some concern in the money markets as to whether or not enough of the called 2⅞s would get into the hands of long-term investors, to make the new 40-year bond large enough an issue to give it the marketability that a long-term obligation should have. To be sure, there will always be some question as to whether or not a long-term issue of government securities of less than $2 billion outstanding is going to eventually be much more than a museum piece, which is what happened to the 3¼s of 1978-83.

On the other hand when an issue of Treasury securities is small, there can always be a reopening of the offering at some later date, which would enhance the marketability of the particular issue. As to whether or not there is an additional offering of a specific government obligation depends upon the condition of the money market and what the monetary authorities are trying to do at the time.

Ample Supply of Mortgage Money Seen

It is the opinion of certain money market specialists that the 3% due Feb. 15, 1995, will continue to find homes among the non-bank investors in increasing amounts with the passing of time. In some measure, this will take funds away from the mortgage market, but it will not be too important a factor at this time in limiting the money that is going into the building industry. It is believed that in order to make a real impression on the mortgage market, there will have to be much larger amounts of Treasury bonds going into the portfolios of non-bank investors than was the case in the recent offering of 3s.

For the foreseeable future, it seems as though the mortgage market is not going to be lacking funds in spite of the long-term bond refunding of the Treasury. The money tightening operation of the monetary authorities, in conjunction with the debt management policy of the Treasury, will in time have its effect upon the mortgage market. However, these forces are not going to accomplish very much unless they are more positive than they have been so far.

The pressure to cut down the availability of credit, which takes into consideration the funds which are going into both the stock market and the mortgage market, will have to become more vigorous so that it will not be as easy to dispose of outstanding government bonds in order to get funds for other investment purposes. This probably means that the government market would have to go lower in price so that the selling of government bonds by institutional investors would be sharply curtailed. If the losses that would have to be taken through the sale of government bonds were sizable enough, they would not be taken, and this would be one way in which there would be a limiting of the money which has been going into other channels.

Switching from 2½s to New 3s

Not a few of the smaller out-of-town commercial banks have been sellers of the bank 2½s with the proceeds being put back into the new 3% bond. These switches have resulted in tax losses being taken in the 2½% bonds. It is believed there will be more of these kind of swops being made after the 3s of 1995 have been outstanding awhile and have had an opportunity to be seasoned a bit.

A. G. Bohmer With John Nuveen & Co.

CINCINNATI, Ohio — Allan G. Bohmer has become associated with John Nuveen & Co., underwriters and distributors of municipal bonds exclusively, as the company's Cincinnati representative, succeeding the late Benjamin W. Van Wagener. The company's office will continue at 1615 Carew Tower.

Mr. Bohmer was a partner in Bohmer-Reinhart & Co., Cincinnati which he joined in 1939.

He completed a total of 5½ years' service in the Infantry during World War II and the Korean conflict.

B. W. Pizzini Forms New Partnership

Announcement is made of the formation of B. W. Pizzini & Co., 25 Broad Street, New York City, associate members of the American Stock Exchange who will conduct a general brokerage business.

Partners in the firm are B. Winthrop Pizzini, W. Gurden Halsey and Walter V. Bradley.

With Standard Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Wesley C. Mann has become associated with Standard Investment Co. of California, 721 East Union Street.

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As We See It

of serious international difficulty? What about funds for the improvement of the condition of the poor abroad, or for the hoped for permanent improvement of their economic status in the world — in the belief that in this way we may win and keep friends at the same time that we cut ground from under the feet of our rivals who so dearly love to fish in troubled waters?

"Massive Retaliation"

How far shall we depend upon the theory of our capacity for "massive retaliation"? What proportion of our expenditures should be apportioned to Continental defense against air attack? What part to bases at the perimeter of our defense areas? How much to technical research and development? To the design and perfection of "super weapons"? These latter issues are almost, but not quite wholly technical in nature, and are for the most part to be trusted to those with the necessary special training. Even in some of these questions, however, important over-all questions of policy inject themselves upon occasion. There is always the question of what interpretation other peoples may place upon our actions, however pure our own motives may be. There are often, too, decisions which must in part at least rest upon humanitarian considerations or even upon judgment of risks of the destruction of all mankind—decisions which can not be, or at all events ought not to be, delegated wholly to any individual or group of technicians.

These are all intricate and difficult questions. It is impossible to lay down simple rules for their solution. Good, hard commonsense based upon the results of technical investigations and study and upon careful consideration of many complex factors is, naturally, about our best recourse. Yet it seems to us that there are a few general truths which are now all too often lost to sight and which would prove extraordinarily helpful if carefully borne in mind by us all. They are homely and simple; they should be self-evident, but are not always accepted as such.

One of them, long known and well understood everywhere else in the world but almost completely neglected here in the United States throughout the New Deal and Fair Deal years, is the simple fact that waste, careless management, extravagance, and complete neglect of cost are heavy loads for any defense program or any nation to carry. They can, in point of fact, be the difference between victory and defeat in a close all-out real world war. Only recently have we been hearing much about the "biggest bang for a buck," and even now what ought to be the real meaning of this bit of slang is all too often lost in inter-departmental or other rivalry.

The bearing of such considerations upon the choice of armament, or the choice of this or that type of defense we do not feel competent to explore. What does seem to us to be the responsibility of us all, whether technically oriented or not, is to see to it that the utmost in military production and military service be extracted from each and every dollar devoted to the purpose. This is simply the demand that active competition makes upon industry day by day—the demand which can not for long be ignored in private life if survival is to be achieved. It is our impression that all of our services could be much more cost conscious to the benefit of all, including the services themselves.

Inconvenient but Necessary

We strongly suspect that it is the fact that they are now at long length being asked to become really cost conscious for the first time in long decades that is causing much of the complaint about the influence of "civilians" upon the Administration. It requires great care, hard work, and real ability to produce and at the same time keep costs to reasonable levels. To some of our military authorities doubtless such a requirement seems to be a weariness of the flesh and a vexation of the spirit. Such it may be, but if we are to do our utmost to survive among the nations of the world and not lose place as well as face over the years and the decades, we shall have to suffer precisely these inconveniences. In point of fact, the time is here when we really cannot afford to pretend that the necessity is not upon us.

Of course, no one would suggest that such a campaign of simple, ordinary economy and efficiency be carried to the point of crippling the services or of cutting off research and development. It is, however, time that our armed services, officers and men alike, came to a realizing sense of the fact that our resources are not inexhaustible and our productive power is not without limit, and that expenditure on armament and defense is an economic burden, not a pathway to prosperity.

Continued from first page

Economic Trends And Opportunities

depends on the enterprise of individuals. However important governmental actions and programs may be, they cannot of themselves lead to great economic achievements. The foundation of the economic strength of our country consists today, as it has during the past, in our free institutions and in the qualities of the American people—their ambition, skill, enterprise, and willingness to make great efforts in their own behalf and in behalf of their families and communities.

It is important to reassert these basic truths, especially at a time when theories of an all-powerful and beneficent state, which have stirred and confused the world, are echoed in our own country. During the 1930's, some economic thinkers developed the doctrine that our economy had reached a stage of maturity, that the opportunities for new private investment would be severely limited in the future, and that the Federal Government would therefore need to embark on large and increasing spending programs if mass unemployment is to be avoided. While this theory of economic stagnation, and its corollary of expanding governmental intervention, have been roundly discredited by the course of events, we still have some advocates of the theory. Their voice is heard and their influence is felt from time to time.

The War Effort

You may recall that in 1944, our nation devoted over 40% of its total production to the war effort. As the war approached a close, it was feared by many that the demobilization of the armed forces and the curtailment of military production might be followed by an economic collapse which would bring failure to many thousands of businesses and unemployment to many millions of workers. This anxiety about the ability of our economy to function smoothly upon the return of peace was natural at the time. As events turned out, the fears proved unfounded. In the first quarter of 1945 expenditures on national security were at an annual rate of $91 billion. Two years later the corresponding expenditures were only $14 billion. This huge drop in military spending did not cause any significant unemployment. Some women, youngsters, and elderly workers left the labor force voluntarily. The others who were released from defense plants or the armed forces were quickly absorbed in private employment. As the nation's military expenditures declined, the private economy kept expanding. By the first quarter of 1947, civilian spending had more than offset the $77 billion drop in military outlays.

In 1949 our economy met its second test of the postwar period. When a recession got under way in the fall of 1948, the stagnationists again proclaimed that a depression was in the offing. They argued that the backlogs of demand which had accumulated during the war were already exhausted, that business firms no longer needed to spend large sums on their factories or shops, and that consumers were so well stocked with goods that some time must pass before they would again be inclined to spend money freely. Once again the fears of economic depression proved unfounded. After a moderate inventory adjustment which lasted about a year, our economy resumed its vigorous expansion. Then came the Korean conflict, which piled heavy military spending on top of a high rate of civilian spending and forced many of our industries to operate on an overtime basis.

The Economy Tested in 1954

Last year the strength of our economy was subjected to its third major test since the end of World War II. During the early months of 1953, production, employment, and the flow of incomes were expanding at a fairly rapid rate. Total spending by consumers kept pace with the increase of their incomes; however, spending on commodities, as distinct from services, tapered off. In view of this development, many businessmen deemed it prudent to reduce their inventories. The effect to bring inventories into better balance with sales led to a decline of industrial production, which became visible after July 1953. Within a few months total production fell below the level of the nation's consumption, and an inventory recession of the sort that had occurred in 1949-49 was under way.

This readjustment of inventories was seriously complicated, however, by the ending of the Korean conflict, which was soon followed by a sharp reduction of military expenditures. Between July 1953 and March 1954 industrial production fell 10%, with the largest reductions occurring in the output of steel mills, ordnance establishments, shipbuilding yards, automobile plants, and other branches of durable goods production. Unemployment in March 1954 reached 3¾ million or nearly 6% of the civilian labor force. Once again, a cry of impending depression arose. After all, it was urged anxiously, we no longer had any widespread shortages, such as saved the economic situation in 1946. Nor did we have continuing unsatisfied demands for automobiles and housing, which had bolstered the economy in 1949. Therefore, so the argument ran, the only way to prevent depression and mass unemployment was for the government to step in, undertake new and extensive spending programs, and finance these with borrowed money.

These counsels were not heeded. Instead the government concentrated on easing credit conditions, on reducing taxes, and on building consumer and business confidence. The depression that so many feared or expected did not develop. As early as the fall of 1953, a recovery began in financial markets. By the beginning of 1954, there were already abundant signs of increasing preparations for larger private investments. More important still, retail sales resumed their rise, exports increased above the preceding year's level, and the ratio of inventories to the sales of both manufacturers and distributors began declining. By the spring of 1954 the decline of production abated and the nation's economy stabilized at a level somewhat below that of the peak of 1953. The Gross National Product, which expresses the dollar value of the total output of goods and services, was at an annual rate of $356 billion in the first quarter of 1954 and it remained at virtually this level in the second and third quarters.

This favorable turn of events quieted fears of depression. But now a new cry arose, reminiscent of the doctrine of economic maturity which flourished in the 1930's. Our economy was moving, we were told, into an extended phase of stagnation. Production would remain at present levels, or at best rise only a little. In the meantime, the labor force would increase while labor requirements per unit of output would diminish. For both reasons, unemployment would steadily increase unless the government got busy and increased its spending programs, or better still, both increased spending and reduced taxes once more.

This was again a mistaken diagnosis, and there could be little doubt that it was wrong if one only had eyes and believed what he saw with them. The annual rate of Federal spending, which had been declining at a rapid pace for some time, dropped another $7 billion between the first and third quarters of 1954. In the meantime, every other major category of expenditure increased — consumer spending, private domestic investment, foreign investment, and State and local outlays. Thus, the stability of the Gross National Product during a large part of 1954 did not mean that our economy was standing still. On the contrary, it meant that the civilian part of the economy was forging ahead, expanding its operations, and taking up the slack caused by the continued reduction of Federal spending. By the early fall of 1954 the civilian economy had gathered sufficient strength not only to compensate for the continuing decline of Federal spending, but to lift the total production and employment of the economy. The low point of the post-Korean recession was reached last August. Since then, our overall economic activity has again been expanding.

Basic Error of the Stagnationist Doctrine

In the course of these historical remarks I have kept referring to the stagnationist doctrine which has so consistently misled its exponents. The basic reason for their error is that the anxious mood of the 30's, its lack of confidence, its servile dependence on government, its distrust of the expansive power or resilience of private enterprise — all these yardsticks are no longer applicable to our time. The face of our economy has changed under the pressure of powerful forces of economic growth.

Advances in science and technology are, and have been, proceeding at a marvelous pace. The plant and equipment of industry are being constantly modernized to escape the drag of obsolescence. The South is industrializing rapidly. The population of the country is growing vigorously. New techniques of consumer and business finance are developing. Home ownership is growing, the range of middle-class incomes is increasing, the pace of competition is quickening, and mass markets are emerging to match mass production for an increasing number of commodities. Beyond these developments in the private sphere, it is now the established aim of the Federal Government to pursue monetary, fiscal, and general housekeeping policies that will promote a stabler rate of growth than we experienced in the past. Public officials, as well as the general public, are relearning the old lesson that the government can create an atmosphere that is favorable to a high rate of economic activity by encouraging private initiative, by curbing monopolistic tendencies, by promoting the flow of capital into risk-taking channels, and by carrying out as much of its own work as is practicable through private enterprise.

Prescriptions of the 30's Not Suitable for Today

Neither the theories nor the prescriptions of policy that ruled during the 30's, whatever their significance may have been at the time, are well suited to the conditions of today. During the 1930's the theory emerged that businessmen were a dynamic but rather troublesome group. In the first place, it was said that their investments were low because our mature economy no longer provided extensive opportunities for profit. In the second place, it was said that their investment outlays fluctuated violently because they rested on emotionally tinged estimates of a precarious future. Consumers, on the other hand, were pictured as a placid group, as creatures of habit whose economic behavior was determined by their current incomes, and whose collective prosperity to spend or save could therefore be counted on with mathematical assurance. Whatever validity this theory might have had in the 1930's, it is something of a caricature of the businessman and of the consumer of the 1950's.

Business Horizon Expanding

The horizon of the typical businessman of today extends much further than that of his predecessor a generation ago. Today's businessman is apt to think in more ambitious, longer-range terms. He watches his current sales and operations closely, but his principal aim as a broad rule is to build for the future, so that his firm will strengthen or at least maintain its competitive position five or ten years later. Hence, the managers of modern firms spend huge sums on research and development, they carry on advertising campaigns that will generate sales in the years to come, they embark on extensive programs to enlarge or modernize their plant and equipment, they maintain these capital expenditure programs as far as possible even when sales drop temporarily, and they judge the business acumen of their competitors by these yardsticks as much as by profit-and-loss statements.

But if businessmen have changed their ways, so too have consumers. The spending of our parents may or may not have been somewhat rigidly tied to their current incomes; that is surely not true of us. American consumers now have in their possession over $200 billion in liquid assets—cash, bank deposits, and government bonds—on which they can draw, if necessary, to supplement their earnings. By and large, they have come to be considered as good credit risks and can buy anything from a suit of clothes to an automobile, a European tour, or a home on the instalment plan. Our consumer market has become a market for a large and widening middle class. A half, if not more, of our family units have annual incomes exceeding $4,000 nowadays; in the middle thirties, even when we allow as we should for the difference in price levels, less than a fifth of the families enjoyed this income status. In 1940 about 40% of our homes outside of farm areas were owned by their occupants; the corresponding figure today is close to 60%. In the first decade of this century the value of the structures and equipment of business firms exceeded that of the dwellings, carriages, and household durables of consumers. Today the value of the plant and equipment of our households surpasses the value of business plant and equipment by about 30%.

Consumer Capital Greatly Expanded

This huge expansion of consumer capital — modern homes, automobiles, radios, television sets, washing machines, electric dryers, food freezers, air conditioning units, and so in an ever expanding list—is one of the great and unique achievements of our economy. It is also a symbol of the constant drive within our households to improve living standards. Perhaps at no time in the past has the desire for material improvement played so large and pervasive a role in our economy as it does today. Moralists and philosophers may decry this tendency, but from a strictly economic viewpoint it is a progressive force. Many an alert businessman who observed early in 1954 how eagerly consumers sought out the latest contrivances and premium qualities was able to predict that we would not soon have an economic depression. As it turned out, consumer spending was the great sustaining force of our economy last year. Exceeding by 2% what they spent during the boom year of 1953, consumers in 1954 defied the dire forecasts of the stagnationists, just as they had defied the forecasts of depression in 1946 and in 1949.

It is not so much material factors, but rather the current attitudes of businessmen and consumers, together with the emerging tendency of governmental policy to steer a middle course between political extremes, that are the keystones of our economic progress. The recovery that has been under way since last August is supported by an underlying surge of confidence in our country's economic future. By the end of last December the recovery had already made up half of the decline that had occurred in industrial production during the entire contraction from July, 1953 to August, 1954. The gross national product, which was at an annual rate of $355.5 billion in the third quarter of 1954, rose to $361 billion in the fourth quarter and the current rate must be still higher. When allowance is made for seasonal factors, we find that unemployment has been reduced by as much as 800,000 between August, 1954 and this January. Retail sales in December were 9% higher than in December, 1953, and the spurt in consumer spending is continuing if we may judge from current reports on department store sales.

Current Recovery Has Momentum

It appears, therefore, that the current economic recovery has momentum. How long this expansion will continue before another setback develops, or how far it will carry us, it is impossible to state with much assurance. But the outlook seems favorable, at least for the months immediately ahead. It is reasonable to expect that the recent phase of inventory liquidation will shortly be followed by some rebuilding of inventories, such as is already under way in several major industries. The projected decline of Federal spending is at a much lower rate than has ruled during the past two years, and it is not unlikely that continued expansion of state and local expenditure will offset any further decline that may occur in Federal spending during the coming year. The recent sharp increase of housing starts the rush of applications for Federally underwritten mortgages, the increase of business incorporations, the upsurge of construction contracts, the increase in orders for machinery and durable goods generally — these varied indicators of investment preparations suggest a high and increasing volume of investment expenditures in coming months. In view of the resurgence of the economy of Western Europe, it seems likely that exports will continue to increase. The course of consumer spending will probably remain favorable for some time, although the consumer has a way, as all of you have discovered, of doing what he likes, no matter what economists may say.

Beyond these indications of short run prospects is the program for promoting long-term economic expansion that the President has recently presented to the Congress. The President has recommended measures for keeping Federal finances on a sound basis, for fostering foreign trade and investment, for improving the basis of our technology, for promoting the strength of small businesses, for accelerating the development of our natural resources, for expanding home ownership and improvements, for increasing public facilities on which the growth of the private economy is heavily dependent, and for helping individuals and families to meet the hazards of unemployment, illness, and blighted neighborhoods. If the President's recommendations to the Congress and suggestions to the States and municipalities are largely adopted, as now appears likely, we shall have taken another major step toward assuring sustained economic progress in our country and times.

The President's Economic Program

The President's economic program is an expression of faith in the vast opportunities for growth and betterment that lie ahead of us. As far as the automobile industry is concerned, the proposal for a new national highway system is probably the item of greatest interest. If this proposal is accepted, we can start before long on a highway construction program that promises to give us within 10 years a national network of safe, controlled-access highways, capable of carrying the heaviest loads, operated under uniform traffic regulations, and joining the great majority of our cities with a population over 50,000. Many details of this program still remain to be worked out, but the President's grand concept is already a challenge to the imagination of businessmen. If history is any guide, a considerable volume of private investment in factories, shops, dwellings, and all sorts of service establishments is likely to be stimulated along the new highways or in their vicinity. The market for new cars and associated goods would be lifted to higher levels and commerce would increase in a thousand directions.

Unless a feeling of optimism has excessively colored my sketch of recent economic happenings and policies, our nation's economic prospects and opportunities are broadly favorable, whether we think of what business may be like in the next few months or 10 or 20 years from now. I must note, however, that the immediate prospects of the different parts of our economy are not all equally good. Our farming industry is still suffering from the over-expansion induced by high and rigid price supports. Appreciable improvement of farm prices and incomes is unlikely until the effects of the legislation passed last year have become sufficiently felt and the enormous stocks in government warehouses are reduced. The coal and railroad industries are suffering from long-standing difficulties in maintaining their competitive position. And although the employment situation has sharply improved in recent months, there is still a sizable amount of nonseasonal unemployment in some communities. Most of them will regain prosperity as the current recovery cumulates, but some local unemployment may persist even when the nation's economy practically reaches full employment.

These problems are receiving the continuous attention of the government. So, too, is the exuberance of some financial activities. In forming a judgment concerning the economic outlook, we may justly draw encouragement from the fact that our economy met rather successfully the test of stability in 1946, in 1949, and again in 1954. We may justly draw further encouragement from the fact that the government has recently demonstrated a capacity to help check economic recession without embarking on huge spending programs and mounting deficits. No one can be sure how well our economy will meet its next test of stability. The outcome is likely to depend heavily, however, on the degree to which we succeed in preventing our confidence in the economic future from spilling over into overconfidence and unbridled speculation. We have been relatively successful in recent years in concentrating our efforts, as a people, on activities of production rather than on activities of speculation. If we can avoid the illusion that we are living in a new era in which the business cycle no longer has any place, there is a good prospect that we will continue to avoid economic depression. This is a responsibility which private citizens, especially businessmen, must share with the Federal Government.

Railroad Securities

Chicago, Milwaukee, St. Paul & Pacific

During the past couple of months there has been a notable quickening of interest in the speculative section of the rail list. Obviously the general public has been entering the market with steadily increasing vigor as contrasted to the first 12 to 14 months of the rise in rail stock prices when most of the buying was coming from investment and institutional sources and strength was largely confined to the higher grade issues. Rumors of proxy fights and struggles for control have been coming thick and fast. With the memory of the market effect on individual securities of last year's battles still fresh, these rumors have further stimulated speculative interest. Also, with the recent spate of optimistic statements from industry leaders there has been the growing hope that railroad earnings this year will top last year's results by a significant margin and that percentagewise the improvement will be most substantial in the case of marginal earners.

One of the outstanding performers in the speculative category in the past month of so has been Chicago, Milwaukee, St. Paul & Pacific common. By late last week this stock, on relatively heavy trading, had advanced more than 100% from the low of 10 reached in 1953. Not too many months ago it was generally feared that the road would not even be able to cover the preferred dividend in full, based on the poor earnings record for the first seven or eight months of the year. There was a strong comeback in the closing months of the year, however, and the road ended up 1954 with earnings of slightly more than $2.00 a share on the common. This was only nominally less than had been reported for 1953. Thus, it is now generally expected that at least the $1.00 dividend of recent years will be maintained this year. If the long drawn out Federal income tax dispute is finally settled, which would mean a substantial credit to St. Paul in interest on the disputed taxes, some sources feel that directors might be even more liberal.

St. Paul has had a spotty, and on the whole a relatively poor, record in the postwar years. In three of these years available income, after allowing for capital and sinking funds, has not been sufficient to cover the full dividend on the non-cumulative preferred and for the best year of the period, 1950, earnings available for the common came to $4.37 a share. The transportation ratio has consistently run well above that of the industry as a whole and the pre-tax profit margin has just as consistently been among the narrowest among the major class I carriers. Low average freight density, and a substantial amount of branch line mileage of questionable earning power, have imposed an important drag on operations and traditionally the company has suffered from an unfavorable and costly terminal and yard situation.

Some of the adverse influences must be accepted as of a permanent nature so that it is likely that the operating performance will not match that of the industry over the visible future. Nevertheless, there have been definite signs of a turn for the better and it seems likely that this improving trend will be magnified in the anticipated period of expanding traffic. During the past year the road has attained full dieselization and this has not as yet been fully reflected in operations. Also, continuing benefits are expected to accure from a modern pushbotton yard constructed as Bensenville a little over a year ago. What has been accomplished so far is indicated by the fact that by November the transportation ratio was running below year earlier levels. While the breakdown for December and the full year is not yet available it is indicated that for the 12 months this important ratio was little, if any, higher than it had been in 1953. If this trend continues, as is expected, and it is augmented by continued growth of the Pacific Northwest area, many analysts are of the opinion that St. Paul could well develop substantial and consistent earning power over the intermediate-term.

Moulton Elected by Los Ang. Bond Club

LOS ANGELES, Calif.—Donald W. Moulton has been elected Vice-President of The Bond Club of Los Angeles for the current year. Mr. Moulton is an officer of R. H. Moulton & Company, investment bankers specializing in municipal and U. S. Government bonds for over 40 years. A native of Los Angeles, California, Mr. Moulton graduated from Stanford University in 1938, and has been active with R. H. Moulton & Co. from that date. During World War II, he served in the Supply Corps of the U. S. Navy, and held the rank of Lieutenant Commander. Mr. Moulton has also served on the Municipal Securities Committee of the California Group of the Investment Bankers Association of America.

H. L. Emerson Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—William J. Moore is now affiliated with H. L. Emerson & Co., Incorporated, Union Commerce Building, members of the Midwest Stock Exchange.

Joins F. I. du Pont Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Frank W. Mehrten, Jr. has joined the staff of Francis I. du Pont & Co., 317 Montgomery Street.

King Merritt Adds

(Special to The Financial Chronicle)

SPRINGFIELD, Mo. — Vincent deP. Schulte is now with King Merritt & Company, Inc., Woodruff Building.

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Credit Analysis Has a Place In Mortgage Banking!

risks weaken the portfolio of the mortgagee. It is of the utmost importance that an effort is put forth so that the right person moves into the right neighborhood, both from the financial and social standpoint.

Although most permanent portfolio buyers of mortgages are happier when the borrower has some initial cash stake in the property, most have adjusted their sights to include the no down payment type of mortgage in their portfolios, particularly in respect of Veteran-borrowing, and through experience have come up with certain conclusions. It is the considered thought of most lenders that a minimum of at least 10% of the cost of his home is spent in moving in, resulting in at least that must equity. It is found that a good many buyers who have money and make a down payment, immediately incur a large debt in purchasing furniture and other necessities to establish the home. On the other hand, in a good many cases buyers who can afford to make a down payment do not do so, with the thought of using the money to purchase the necessities to establish the home.

The result, of course, is that in the first case the buyer putting the cash in the house will pay for such furniture and fixtures over a period of time commensurate with their useful life, while the buyer who uses his money for furniture and fixtures, rather than making a down payment on the house, is paying for them over a period equal to the term of the mortgage. Obviously, the first case is the better. On the other hand, it has been the experience that most buyers making no cash down payments have spent relatively large sums of money in improving their homes, ultimately ending up with equities in many cases, at least equal to those who have made initial down payments.

The pride of home ownership is a dominant factor that cannot be overlooked when a young family acquires a home. Of course, most of our experience in writing direct reduction mortgage loans has been in a rising economy only, and it will not be known, until things get rough, which method of approach in analyzing the credit of the borrower is the most sound.

In connection with the preparation of this paper, I arranged for a member of our staff to interview two types of lenders; a large savings bank and a large insurance company. The following is the result of these interviews, which I think is interesting to hear and which more or less confirms the experience of mortgage lenders over the past 10 years:

"At your request, I discussed various methods of mortgage credit analysis with representatives of a large savings bank and a large insurance company. Our discussion began with an outline of the various rules of thumb which are used to qualify or disqualify a prospective mortgagor.

"First of all, the individual's weekly salary must be 10% above his gross monthly mortgage payments. This margin, however, is expected to increase as the amount of the mortgage gets into the upper brackets. Unless overtime can be verified as being normal compensation, this cannot be counted as salary. Also, pay received for part-time work is generally not considered valid income except under unusual circumstances. In practically every instance, a wife's salary cannot be counted unless she is beyond the child bearing age and has either been employed for a considerable length of time or has a professional status (nurse, teacher, etc.).

"As far as other obligations are concerned, installment contracts or other debts which run under $30 per month and will be paid out in six or eight months are generally ignored. However, long-term obligations which drain a considerable amount from an individual's salary (i.e. car payments) are normally enough to disqualify him. In some instances, a wife's salary can be used to offset a payment of this type.

The Credit Report

"One of the most important aspects of the credit analysis is, of course, the credit report. In instances where a man's record shows continued flaws, the chances are that he would end up as a delinquent mortgagor and his application is normally rejected. However, there are many cases where bad accounts, judgments, etc., cluster over a short period of time and there is generally some sort of legitimate excuse for credit difficulties of this type. Sickness, or loss of income due to recall into the armed services, are typical reasons for isolated periods of bad credit on an otherwise unblemished record.

"The length of time that a prospective mortgagor has been employed is, of course, very important. Frequent changes in employment are quite likely to disqualify an applicant, and instances where an individual moves from one type of vocation to some completely unrelated field are especially looked down upon. Generally speaking, an individual should have been employed at the job he holds at the time of application for at least two years unless his vocation is such that he naturally changed his employer frequently (the case of a carpenter going from job to job).

"However, the savings bank did mentioned that they used a weekly earning formula of $2 per child over and above the monthly carrying charges computing eligibility in one of their large tracts.

"In analyzing my conversations with the respective representatives, I can't help but feel that mortgage credit examination has changed over the years from a relatively objective operation to a subjective one. While the credit examiners gave me the previously mentioned standards as ones by which they weigh an individual's credit, they continually emphasized that the rules are by no means inflexible. Each case is subjected to total analysis and where a man may fall down in one place, there may well be another balancing factor in the man's credit history. For instance, a man's weekly salary may not be 10% above his monthly carrying charges, but the stability of his job (civil service worker, etc.) would be enough of an offsetting factor to make the loan allowable. Similarly, none of the other rules are 'hard and fast.' All the various facets of a man's credit are taken into consideration together and the resulting 'montage' is judged as a whole. Consequently, the mortgage credit examiner has to be a person capable of weighing an over-all situation on its own merits and sound judgment becomes the most important factor in good underwriting.

"As far as justifying the no-down payment 30-year loan from a credit expansion standpoint is concerned, the representative of the savings bank stated that they have found that mortgagors with no-down payment mortgages generally speaking put more extra improvements into their properties than those mortgagors who put a down payment in initially. This, of course, would give them something by way of equity and relieve the inflationary aspect of the no-down deal somewhat. It has also been our experience here in the office that mortgagors applying for no-down loans frequently have quite substantial bank balances. They usually want the money for house furnishings, closing costs and other expenses incurred in moving into a new house. Expenses of this type would be considered equity if you wanted to stretch a point."

Mortgage credit analysis is presently our only real control over real estate inflation. Since there is little or no equity requirement necessary in this day and age in purchasing a house, the only real control that we have over serious inflation is competent screening of the individuals who are to receive the benefits of a no-down deal.

In conclusion, the three most important points which I believe must be considered in analyzing credit are:

(1) The mortgagor's character and family life.

(2) His past attitude toward obligations.

(3) His capacity to manage his affairs, financially and otherwise.

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The Short-Term Business Outlook

economy generally. In 1929 the value of stock market trading was twice the national income of that year. In 1953 it was 6% of the national income. I have no figure for 1954 but perhaps it was as much as 10%. In any event, stock market business was peanuts compared to what it was in 1929.

So far as I can tell, most of the people in the United States not only do not follow the stock market; they scarcely know it exists. I suspect that the same thing was true in 1929. But the big difference today is that the great mass of people who are not affected emotionally by stock market developments have a far larger share of the available purchasing power than they had in 1929. A transformation in the distribution of the national income which Arthur Burns, the Chairman of the President's Council of Economic Advisers, has called "one of the great social revolutions of history" has seen to that. And just as the great mass of consumers were not fazed by talk of recession last year, and went right on breaking records for the volume of their purchases, they will not be fazed by stock market reverses. Hence, the shock of even a severe drop in the stock market will not be communicated to consumer markets and the economy generally as it was in 1929.

The change in income distribution is perhaps the most important change in our economy since 1929. But it is only one of a whole series of changes which makes the 1955 model American economy something basically different and potentially at least far more stable than the 1929 model.

In 1929 when industrial workers lost their jobs they lost their incomes, too. Now they have unemployment insurance. I would like to see the rates higher and periods over which payments are made longer. But even as it is, unemployment insurance contributes an important element of stability to the economy. So does the system of price supports for basic farm crops. We obviously have not yet figured out how to run a farm price support program in a reasonably economical way. But clumsy and wasteful though it is, it adds an element of stability to our economy that was desperately lacking in 1929.

In 1929, government expenditures of all kinds constituted 8% of the Gross National Product. This year, as we shall be made poignantly aware on April 15, these expenditures will provide 21% of the total volume of business—an increase of almost three-fold.

Role of Federal Government

The tremendous leverage which the Federal Government exercises on our economy has been dramatically illustrated in recent months. In 18 months—between the 2nd quarter of 1953 and the 4th quarter of 1954—the Federal Government cut the rate of defense spending by $14 billion—from $54 billion to $40 billion. Taken alone, that was a big enough cut in expenditures to send our economy into a real tail spin. But the government offset the shock of the cut in expenditures by massive tax cuts, and by giving a powerful shot in the arm to the housing industry which government credit policy dominates, and thus brought the economy through on a remarkably even keel. This operation took great skill and courage. For the large measure of success it attained it also required a very substantial measure of good luck. But it starkly underlines the magnitude of the role which government now plays in our economic lives. It is also a role which, handled with a modicum of skill, can be made to contribute an important element of stability to our economy.

Of even greater importance, at least potentially, in contributing to the stability of our economy is the increasing emphasis by business on long range planning, and the increasing capacity to make the plans stick. My office has been making surveys of business plans for the purchase of new plants and equipment for the past eight years. When we started less than half of the companies cooperating in our surveys had any long-range plans for capital investment. Last year over 90% of the cooperating companies, and they were a much larger number of companies than that with which we started, reported that they have at least tentative investment plans extending over several years.

It is one thing, of course, to have a program. It is another to stick with it. But our recent experience makes it clear than in 1954 companies generally did stick pretty closely to their investment programs in spite of declining sales. And thus they brought under control what historically has been perhaps the greatest powerhouse in producing severe economic set-backs — the violent cutting of plans for capital investment.

A controlling reason why it is possible for business firms to stick with their investment plans in the face of a drop in income is the great increase in funds made available by depreciation allowances. In 1955, the depreciation allowance to nonfinancial corporations in the United States will be about $14 billion. This represents an increase of about $1½ billion from 1954. That $14 billion is enough money to meet about 60% of the expenditures now planned for 1955 by these corporations.

Those in charge of advertising budgets took the longer look during the late recession in even more striking fashion than those in charge of capital budgets. They actually increased their advertising appropriations in the face of declining sales—something which had never been done before. Thus they made a major contribution to seeing that the decline in sales would be short-lived. In fact, in the annals of business 1954 may well come to be known as the year in which advertising came of age.

In emphasizing the basic changes which have taken place in our economy since 1929, I want to make it quite clear that I am not operating under the illusion that we are knocking on the gates of the Elysian fields where we will find prosperity and stability forever after. On the contrary I think we are still going to have very invigorating ups and downs of business. In fact, I suspect one of mild proportions is in the making right now, largely because automobile production is going at such a fast clip. The fact that neither sleet, nor rain nor snow is staying the rush of housing starts may be contributing to the same result.

But I do maintain, and stoutly, that the problem of keeping our economy on a tolerably even keel has been brought under far better control than it was 25 years ago. If we keep this in mind, it may help us to tackle more effectively than otherwise some very crucial economic problems which still remain with us.

Problem of Creeping Unemployment

We still have the urgent problem of preventing creeping unemployment by smoothly absorbing, through more consumption or more leisure, the economic gains which our prodigious improvement in industrial productivity and the rapid increase in our labor force make possible. This year may increase the labor force by as much as a million. And if it keeps up the recent pace, industrial output per man-hour will increase about 4%. That means we must consume a lot more goods or a lot more leisure to avoid trouble.

Paradoxically, it seems to me that we also have the problem of preventing price inflation from creeping so fast that it destroys one of the basic foundations of our social and economic system by making suckers out of those who are provident and thrifty. I also do not believe that this is going to be an acute problem in 1955. This is another way of making a forecast that prices will be relatively stable this year. But I anticipate enough increase to make it clear that the problem of keeping inflation in tolerable check is still with us. If I were forced to define "tolerable" I would say that an increase of 2% a year, and perhaps a little more, would qualify.

In the period immediately ahead I expect to hear a lot of talk about this being 1929 (or perhaps 1928) all over again. If I have done my work properly I have successfully demonstrated that this is a mistaken notion. The economy is not going to be knocked off its base by flow and ebb of a rousing wave of speculation.

If you keep this fact in mind it will, I believe, help you from being diverted from the central problems for your company and the economy as a whole. Of these, I would rank first the maintaining of an adequate rate of growth.

There have been several statistical estimates of the magnitude of this problem lately. The steering Committee of the National Planning Association, an organization designed to give balanced representation to all elements in our economic society, has come up with the finding that our Gross National Product should be running at an annual rate $25 billion higher than it is now running to provide tolerably full employment. The comparable estimate of the Conference on Economic Progress, which seems more heavily weighted with representation of organized labor, is $35 billion, or almost 10% above the present level.

It is my impression that both of these estimates are on the high side. But I am impressed by the fact that we do need more growth in our economy than is immediately in prospect to check a very powerful and, to my mind, ultimately destructive political drive to have the government provide it. Of the manifold definitions of full employment I have come upon, none is more perceptive than that provided by the British economist A. G. B. Fisher. His definition of full employment is that level of unemployment which will not "provoke an inconvenient restlessness among the electorate."

In that sense surely we have a crucial problem of maintaining full employment. If I have said something which will help you to concentrate effectively on it, I will feel that I have done a useful job here. That will be true even through one or two of my forecasts proves to be slightly off the mark. Needless to say, however, I find any such outcome quite inconceivable.

Elected Director

T. M. Lewry, 3rd

PHILADELPHIA, Pa.—Thomas M. Lewry, 3rd. of Auchincloss, Parker & Redpath, has been elected a member of the Board of Directors of Investment Corporation of Philadelphia, William S. Wasserman, President, announced.

Protected Investors Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John V. Cook has become connected with Protected Investors of America, Russ Building.

Reynolds Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Thos. J. Ferrari and Malcolm McNaughten, Jr., have become associated with Reynolds & Co., 425 Montgomery Street. Mr. McNaughten was formerly with Schwabacher & Co. and Dean Witter & Co.

With American Securities

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—B. A. Strickland is with American Securities Corporation.

Joins Williams Inv.

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla.—Leslie F. Butler has become connected with Williams Investment Company, Barnett Building.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Burrell B. Hudnall is now affiliated with Renyx, Field & Co., Inc.

McCleary Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—James J. Donlan has been added to the staff of McCleary & Co., Inc., 556 Central Avenue, members of the New York Stock Exchange.

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The State of Trade and Industry

ing from the week before due to impending changeovers at Chevrolet and General Motors Corp. truck divisions.

General Motors offset this dip as it aimed at a new peak in weekly car manufacture. Included in the new record attempt were a heavy month-end push of 16,430 cars on Monday (Jan. 31), plus new records at Oldsmoblie and Pontiac.

Elsewhere, Ford Motor Co. remained at last week's postwar peak due mainly to Ford Division's programming of all 16 assembly plants for Saturday car scheduling. Similar six-day operations were on tap at Studebaker and De Soto.

Studebaker's overtime schedule carried the Independents to their strongest car rates in 67 weeks. Biggest gain over a week ago was at American Motors. The Kenosha factory rolled along at a 56% faster pace than in the previous week when the plant was down one day (Jan. 28) for machinery rearrangement, "Ward's" reported.

Canadian producers were also looking for a slight improvement last week, with 6,614 cars and 721 trucks programmed, compared to 6,524 and 690 last week.

Steel Output Scheduled This Week To Be The Largest Since The Week of Oct. 26, 1953

More attention is now being given to seasons by steel buyers than for sometime past, according to "Steel," the weekly magazine of metalworking.

During the war periods, people took all of the steel they could get when they couud get it. But in peacetime it's different. Although last year was a peacetime year, the seasonal factors didn't come into full play, for consumers decided to draw upon their inventories for steel, it notes.

Now with inventory reduction out of the way, steel users have to buy at least as much as they consume. But all of them do not have the same seasonal consumption patterns. As a result, demand for the various forms of steel now depends on what season we're in or approaching. This, it states must be kept in mind in planning purchases.

While one form of steel may become easier to get, others may tighten up. Sheared plates, for instances, have been in light demand, but they are beginning to tighten. Some of this tightening stems from the construction industry, which benefits from the approach of spring and summer weather. Two large construction firms in the Pittsburgh area say they are beginning to build their inventories of plates and structural shapes for a strong spring season. Inquiries for fabrication are already growing. At Chicago, Inland Steel Co. extended its deliveries on sheared plates to three or four weeks. It had been quoting two-week delivery.

Tin plate demand, seasonal in nature, is expanding and some producers are looking for the second quarter to set a record in sales of container makers.

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 87.4% of capacity for the week beginning Feb. 7, 1955, equivalent to 2,110,000 tons of ingots and steel for castings as compared with 85.8% (revised) and 2,070,000 tons a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 83.2% and production 2,007,000 tons. A year ago the actual weekly production was placed at 1,774,000 tons or 74.4%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Extends Its Gains To Register a New All-Time High Record For The Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday Feb. 5, 1955, was estimated at 10,047,000,000 kwh., a new all-time high record, according to the Edison Electric Institute. The previous all-time high record at 10,003,000,000 kwh. was established in the previous week.

This week's output constituted a gain of 44,000,000 kwh. above that of the previous week, when the actual output stood at 10,003,000,000 kwh., and an increase of 1,373,000,000 kwh., or 15.8% over the comparable 1954 week and 1,918,000,000 kwh. over the like week in 1953.

Car Loadings Show a Gain of 1% Above Previous Week

Loadings of revenue freight for the week ended Jan. 29, 1955, increased 6,326 cars, or 1% above the preceding week, according to the Association of American Railroads.

Loadings totaled 641,979 cars, an increase of 13,786 cars or 2.2% above the corresponding 1954 week, but a decrease of 55,463 cars or 8% below the corresponding week in 1953.

U. S. Automotive Capacity Eases Slightly From Level of Previous Week

The automobile industry for the latest week, ended Feb. 4, 1955, according to "Ward's Automotive Reports" assembled an estimated 164,295 cars, compared with 160,666 (revised) in the previous week. The past week's production total of cars and trucks amounted to 182,896 units, a decrease below the preceding week's output of 358 units, states "Ward's." In the like week of 1954 127,996 units were turned out. Current weekly vehicle manufacture "Wards" notes, is running less than 6% under the all-time high set in the week ending June 17, 1950, when 196,348 cars and trucks were produced.

Last week, the agency reported there were 18,601 trucks made in the United States. This compared with 22,583 in the previous week and 19,846 trucks a year ago.

"Ward's" estimated Canadian plants turned out 6,614 cars and 721 trucks last week, against 6,524 cars and 690 trucks in the preceding week and 9,019 cars and 2,027 trucks in the comparable 1953 week.

Business Failures Rise Moderately In Latest Week

Commercial and industrial failures rose to 264 in the week ended Feb. 3 from 255 in the preceding week, states "Dun & Bradstreet, Inc." This increase lifted casualties well above the 238 which occurred a year ago and the 159 in 1953, but they remained 17% below the prewar level of 318 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more edged up to 224 from 215 last week and exceeded the 203 of this size recorded in the similar week of 1954. Meanwhile, small casualties, those with liabilities under $5,000, held steady at 40; a year ago the toll was 35. Liabilities in excess of $100,000 were incurred by 21 of the failing businesses, as compared with 14 in the previous week.

Wholesale Food Price Index In Latest Week Falls 2.3% Below Level of a Year Ago

Reversing the upward movement of the preceding three weeks, the wholesale food price index, compiled by "Dun & Bradstreet, Inc.," recorded a moderate decline in the latest period. The Feb. 1 number fell to $6.85 from the previous level of $6.88. It compared with $7.01 at this time a year ago, or a drop of 2.3%.

Up in wholesale cost last week were corn, oats, barley, hams and eggs. Lower were flour, wheat, rye, lard, milk, coffee, cocoa, currants, 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 Influenced By Far Eastern Situation Continues Mildly Upward

The general commodity price average continued its mild upward movement last week, influenced to some extent by the situation in the Far East. The daily wholesale commodity price index, compiled by "Dun & Bradstreet Inc.," finished at 280.08 on Feb. 1, as against 279.66 a week previous, and 275.03 a year ago.

The Winter wheat crop was reported about up to normal in all sections except the drought areas of the Southwest. Cash corn prices were firmer, reflecting a sharp drop in market receipts, small country offerings and more active export business. Feed grains generally received some support from the prospect of increased feed requirements due to the recent cold weather. Trading in grain futures on the Chicago Board of Trade declined moderately last week to a daily average of 44,600,000 bushels, from 50,600,000 the week before.

The raw sugar market was more active with offerings firm at 6 cents a pound, delivered. Demand in the world sugar market showed some improvement at the week-end. The butter market was a shade easier, while fresh eggs were firmer with most grades clearing closely under generally lighter supplies.

Cocoa prices showed little change for the week as profit-taking and hedge selling pared early gains. Warehouse stocks of cocoa on Monday totaled 94,464 bags, down slightly from 95,617 a week earlier, and comparing with 74,679 bags a year ago.

The green coffee market developed considerable weakness as competition between Central American and African coffees brought rumors that Brazil may have to reduce its minimum export price.

Spot cotton values developed further strength last week. The continued upturn was influenced by developments in the Far East, the prospect of a tight free supply situation later in the season, and the unexpected increase of 50 points in the mid-January parity price to 35.22 cents a pound. CCC loan entries during the week ended Jan. 21 were reported at 66,202 bales, the smallest in over three months, and bringing the total for the season thus far to 2,037,353 bales. Withdrawals of 1954-crop cotton were placed at 26,490 bales, the largest thus far this season, leaving 1,857,686 bales of 1954 crop still under loan.

Trade Volume Decreased as Snow and Low Teperatures Prevailed In Many Parts of the Nation Last Week

Snow and subnormal temperatures in many parts of the country curtailed shopping in the period ended on Wednesday of last week. Retail volume was considerably below the level of the preceding week. While sales of automobiles, apparel and food declined, volume varied considerably from region to region.

The dollar volume of trade was unchanged from the corresponding week of 1954.

Some retailers reported that basements registered relatively better sales than did other departments.

The total dollar volume of retail trade in the week was estimated by "Dun & Bradstreet, Inc.," to be 2% below to 2% above a year ago. Regional estimates varied from the comparable year-ago levels by the following percentages: Midwest —2 to —6; East and Northwest —1 to —5; New England 0 to —4; Pacific Coast +1 to +5; South +2 to +6; Southwest +4 to +8.

Wholesale volume in the week was unchanged from the level of the preceding week but considerably above that of the corresponding week in 1954. Many delivery dates lengthened, as buyers' optimism remained strong.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 29, 1955 advanced 1% from the like period last year. In the preceding week, Jan 22, 1955, an increase of 10% was registered from that of the similar period in 1954, and for the four weeks ended Jan. 29, 1955, an increase of 10% was recorded. For the year 1954, a loss of 1% was registered below that of 1953.

Snow and frigid temperatures worked to depress retail trade volume in New York City the past week. Declines for the period ranged from 5 to 10% below the like week in 1954.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 29, 1955, registered a decrease of 2% below the like period of last year. In the preceding week, Jan. 22, 1955, an increase of 2% was reported from that of the similar week in 1953; while for the four weeks ended Jan. 29, 1955, an increase of 4% was reported. For the year 1954 the index advanced 1% from that of 1953.

Incorporated Assets at Peak

The annual report of Incorporated Investors shows total net assets on Dec. 31, 1954 of $197,953,551, the highest in the history of the company. The net asset value per share increased from $10.36 to $15.73, a gain of 54%.

In commenting on the general level of stock prices, the management stated, "We think that the rise that has taken place in stock prices was an adjustment from an abnormally low level to a more normal level rather than from a normal to an abnormal level.

"As people saw that business, finance and government had the powers to prevent minor contractions from developing into major ones they began to have a new concept of the stability of corporate earnings and dividends. They became willing to pay a higher price for them.

"We think that is what has taken place, and that investors have merely brought the yields from common stocks into a more normal relationship with bond yields. Investors are appraising values on the basis of confidence instead of doubt."

Mutual Funds

By ROBERT R. RICH

Officers and directors to administer the newly chartered Bank Fiduciary Fund sponsored by the Trust Division of the New York State Bankers Association were announced Monday.

Charles W. Buek, Vice-President of the United States Trust Company, has been elected President of the Fund.

Other officers elected were: **Vice-Presidents**—Charles M Bliss, Vice-President, The Bank of New York, New York City; Charles E. Treman, Jr., Vice-President and Trust Officer, Tompkins County Trust Company, Ithaca. **Secretary-Treasurer**—Charles E. G. Lloyd, Secretary, Trust Division, New York State Bankers Association.

The fund, the first mutual trust investment company in America, is expected to begin operations around May 1, with resources of several million dollars. It will provide a legal investment medium for trusts, estates, and guardianships administered by the banks in the State of New York. It is an open-end mutual fund which will operate on a non-profit basis and without loading charges. In many respect it will resemble a common trust fund. This resemblance is deliberate for the Bank Fiduciary Fund is intended to offer common trust fund facilities to more than two-hundred of the smaller banks in New York State.

To put the fund into operation around May 1, officers and directors are now engaged in the selection of an institution to serve in the capacity of Custodian, Investment Advisor, Transfer Agent, Registrar of the Corporation, and Depository of Corporation Funds.

Other technical matters being evolved are the status of the corporation as an investment company under the Investment Company Act of 1940 which requires the filing of a registration statement and possible compliance with the Securities Act of 1933. The fund will apply for exemption from certain provisions of these acts.

The fund's directors are also preparing permanent certificates of capital stock which will be purchasable by the more than two-hundred smaller banks in New York State having trust powers.

The Bank Fiduciary Fund is under the direct supervision of the New York State Banking Department and has received clearance from the Federal Reserve Board in Washngton. The Fund's establishment was made possible through special enabling legislation passed at the 1954 session of the New York State legislature.

The Bank Fiduciary Fund was chartered on Dec. 29, 1954 by a special action of the New York State Banking Board. In a letter earlier this month notifying the Association of the Banking Board's action, the Superintendent of Banks said:

"We are pleased to inform you that the Banking Board at its meeting today approved the certificate of incorporation of Bank Fiduciary Fund, and I have affixed my approval as Superintendent of Banks.

"We are happy that efforts to form a fund for the investment of trust moneys held by the smaller corporate fiduciaries of the State, which began three years ago, have now achieved their fruition. We in the Department believe that this Fund will fill a valuable place in the community and will permit corporate fiduciaries to bring better diversification and more effective service to the public."

Directors of the new corporation, who will serve without compensation, are:

Charles W. Buek, Vice-President, United States Trust Company, of New York, New York City; Charles E. Treman, Jr., Vice-President and trust officer, Tompkins County Trust Company, Ithaca; Charles M. Bliss, Vice-President, The Bank of New York, New York City; Robert M. Lovell, Vice-President, The Hanover Bank, New York City; Herbert A. Jones, Vice-President, The National Commercial Bank and Trust Company, Albany; William T. Haynes, Vice-President, Marine Trust Company of Western New York, Buffalo; Frederick Hainfeld, Jr., Executive Vice-President, Long Island Trust Company, Garden City; Donald A. Moore, Executive Vice-President, Poughkeepsie Trust Company, Poughkeepsie; John G. White, Vice-President, Security Trust Company, Rochester; Aurie I. Johnson, Vice-President, First Trust and Deposit Company, Syracuse; Robert F. Carpenter, Vice-President, Watertown National Bank, Watertown.

ASSETS OF Canadian Fund, Inc., a U. S. mutual fund investing in Canada, exceeded $30,000,000 at the of 1954, and the assets of the Canadian Investment Fund, Ltd., a Canadian mutual fund, exceeded $60,000,000.

TOTAL NET assets of Commonwealth Investment Company rose 35% during 1954 to $89,409,527 on Dec. 31, compares with $66,290,228 a year earlier.

Net asset value per share on Dec. 31 was $8.44—a record high. Securities holdings at Dec. 31 were: Common stocks (68.6%), preferred stocks (16.5%), bonds (12.8%) and cash and receivables (2.1%).

Largest industry holdings were oils (12.4%), public utilities-electric (12.1%) and chemicals-drugs (6.1%).

Growth Fund Report Stresses Atom Holdings

Diversified Growth Stock Fund stressed to shareholders its preference for selecting investments in those companies with interests in atomic energy, electronics and automation.

A feature of the report presented pictorially to shareholders the investments of Diversified Growth Stock Fund at the year end. Fifteen of the fund's holdings have atomic energy interests, 13 are in automation and instrumentation, and 15 in electronics. The fund's investments were spread over common stocks in 49 different companies.

Wm. Gage Brady, Jr., Chairman of the Fund's Board, said to shareholders, "There is no thought that the management of the fund will be uniformly successful in its investment selections. Some of our companies may fail to prosper while others may fulfill their promise generously. An investor seeking growth should spread his money over the securities in a broad list of industries and companies rather than try to pick one or two. Through Diversified growth Stock Fund. we believe he can do this effectively."

Among the fund's holdings in atomic energy, automation, and instrumentation and electronics were Admiral Corp., Motorola, Beckman Instruments, Consol. Engineering Corp., Dow Chemical Co., Filtrol Corp., Hooker Electrochemical Co., Houston Oil Co. of Texas, Kerr-McGee Oil Ind., Inc., Minneapolis - Honeywell, Monsanto Chemical, Columbia Broadcasting, International Business Machines, Texas Instruments, Inc.

Net assets on Dec. 31, 1954 were $11,262,054 compared with $8,915,198 on Nov. 31, 1953. Net asset value per share increased during the same period from $7.23 to $10.29. After adjustment for security profits distribution, this increase amounted to 50.1%.

During the second half of the 1954 year, among purchases made by the fund were 4,500 shares of Halliburton Oil Well Cementing Co.; 10,000 shares of National Research Corp.; 8,000 shares of Raytheon Manufacturing Co.; 10,000 shares of Telecomputing Co.; and 20,000 shares of Texas Instruments, Inc.

The fund sold its investments in Calumet & Hecla, Dewey & Almy Chemical Co., Durez Plastic, Firemen's Insurance Co. of Newark; P. R. Mallory & Co., Maryland Casualty Co., Merck & Co., Texas Uutilities Co., Tracerlab, Inc., and Union Carbide & Carbon Corp.

EATON & HOWARD Stock Fund's 24th Annual Report shows net assets of $38,092,795 up from $20,860,870 at the beginning of the year. Shares outstanding totaled 2,223,704 compared with 1,726,902 and the number of shareholders 7,652 compared with 5,286. Asset value per share on Dec. 31, 1954

Atomic Fund Assets Quintuple in Half-Year

Net assets and number of stockholders of the Atomic Development Mutual Fund quintupled during the six months ending on Dec. 31, 1954.

Net assets increased from $2,226,997 to $12,796,669, and the number of stockholders increased from 2,000 to 10,000, President Newton I. Steers, Jr., and Board Chairman Merle Thorpe, Jr., reported to stockholders. Unrealized appreciation of securities amounted to $1,430,809 in the same period.

During the six months, 38 new securities were added to the Fund's portfolio, bringing its holdings to securities of almost 100 companies operating across the spectrum of atomic energy work.

Many of the new additions were in the field of atomic energy raw materials, and included securities of companies with uranium holdings in the United States, Canada, Africa, and Australia.

Approximately 50% of the Fund's holdings are in the raw materials field, including uranium mining and milling, fuel processing, by-product mining of uranium, and production of beryllium, lithium, thorium, and zirconium, all critical elements in atomic energy utilization.

The percentage of the Fund's assets invested in common stocks and comparable securities increased from 77 to 90% during the six-month period. "The increase was accounted for principally by an 11% increase in funds invested in securities of companies producing raw materials, in which field your management believes the most favorable investment opportunities still exist." Steers and Thorpe told stockholders.

Because few companies are so preoccupied with the atom as General Dynamics, the Fund's 74,000-share block of General Dynamics was its largest holding, dollarwise, on Dec. 31, with a market value of $595,000.

On news of earnings and a 100% stock dividend, General Dynamics rose during January from 80 to 103, giving the Fund a capital appreciation of $139,000 on its holdings. Profit-taking brought the stock down to around 100 this last week, the Fund reported.

Distributors Group Holds Conference

The continued high level of investment activity forecast for 1955 will accelerate the growth of mutual funds sales, according to the consensus view expressed at the annual sales meeting of Distributors Group in New York City, Jan. 24 to 28.

The company's regional sales managers from all over the country met for discussions which included sales and market studies, the role of Group Securities' 21 mutual funds in current and forecast conditions, and new sales techniques.

Among those in attendance were:

Seated (left to right) Harold X. Schreder, Executive Vice-President; Kenneth S. Gaston, board chairman; Herbert R. Anderson, President; John S. Mayer, Vice-President.

Standing (left to right) Frank McInerney, Harold Grothaus, Reginald Walsh, Claude Thomas, Herbert Joncas, John Wilson, Miles Burgess, Rex Stembridge, Walter Murphy, John Ahbe, John Cornell, James Elliot, Bill Dosher.

was $17.13 compared with $12.08 a year earlier—46% increase after adjustment for the 50c per share distribution of realized pro its in December. Dividends from investment income in 1954 totaled 46½c a share compared with 45½c paid in 1953.

At the year-end, 92% of the Fund was invested in 103 stocks in 28 different industries. The larger common stock holdings were in the oil (13.7%), insurance (9.9%), power and light (8.2%), chemicals (7.0%), and natural gas (6.3%) industries.

PRINCIPAL CHANGES in the common stock investment holdings of Dividend Shares, Inc. for the three months period ended Dec. 31, 1954, included the purchase of 4,300 shares of American Cyanamid, 7,000 C & O, 1,700 Gulf Oil, 10,300 Inland Steel, 3,400 International Paper, 8,000 Middle South Utilities, 8,000 Murphy (G. C.) Company, 4,500 Nickel Plate, 11,000 Pfizer, 7,500 Southern Company, 6,400 Standard Oil of California, 10,000 J. P. Stevens, 9,900 Union Oil, 6,000 United Gas, 10,300 Virginia Electric & Power and 14,100 Western Auto Supply Company.

Sales included 4,000 Air Reduction, 2,000 Allis Chalmers, 3,000 Aluminum, 4,300 American Brake Shoe, 15,842 Blaw-Knox, 4,000 Climax Molybdenum, 3,900 Gulf States Utilities, 6,000 International Harvester, 10,900 Louisville Gas & Electric, 4,400 Montana Power Co., 17,500 RCA, 6,000 Southern Pacific, 2,700 Union Bag & Paper and 6,000 Westinghouse Electric.

Holdings of Boeing Airplane, L. & N., and United Shoe Machinery were eliminated.

Personal Progress

WILLIAM J. DACEY, member of the Policy and Investment Committee of National Securities & Research Corporation, left New York this week on a nation-wide economic field study of corporations whose securities are included in the portfolios of the National Securities Series of Mutual investment funds.

Mr. Dacey will discuss the economic outlook with business executives, bankers and investment men in the various cities covered by his itinerary. His tour will take him to St. Louis, Kansas City, Tulsa, Denver, Tucson, Los Angeles, San Francisco, Oakland, Portland, Ore., Seattle, Spokane, Minneapolis and Chicago.

HARRY G. FRIEDMAN was elected President of General American Investors Company, Inc., it was announced by Frank Altschul, Chairman of the Board of Directors.

Harold F. Linder, who resigned as President and is now in Government service, was elected to the newly created post of Vice-Chairman of the Board. Mr. Linder was formerly Assistant Secretary of State for Economic Affairs. Mr. Friedman, who joined the investment company in 1931 has been Vice-President since 1936 and a Director since 1941. He has been active in the investment field since 1916.

THE APPOINTMENT of William Wilson Hewitt as wholesale manager in western Pennsylvania, Ohio and West Virginia for the $25 million Delaware Fund was announced.

Mr. Hewitt has been actively associated with the investment business for a number of years. He brings to his new post an executive experience that goes back to the late '20s when he was a partner in the New York investment firm of Hewitt, Brand and Grumet. He subsequently headed his own firm of Hewitt & Co., and later was successively a partner in the New York Stock Exchange firms of Hewitt & Satterfield; Fransioli & Wilson; and Rollins & Hewitt. He was a member of the New York Stock Exchange for 17 years.

LOUIS L. ROTH, agent in St. Louis for the London Guarantee and Accident Co., Ltd., was elected to the Board of Directors of Associated Fund to fill the vacancy left by the recent death of John H. Caldwell.

At the first meeting of the new Board, the following officers were elected: C. J. Schuepbach was re-elected President; Lawrence M. Mullen, Jr. was elected Executive Vice-President and Treasurer; Robert J. Rothschild was elected Secretary.

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Observations . . .

templated commitments has been made in part by setting aside funds in the government securities listed in the attached report."

Always a Good Mud-Horse

With Gypsum, as well as Ward, Mr. Avery has shown his unique ability as a foul-weather manager. During the Great Depression the company made a profit every year, and paid common dividends uninterruptedly and without impairing the company's financial stability. In 1932, the worst depression year, the company distributed $2,451,380 to the stockholders; in 1933 $1,735,484; and in 1934 an extra to raise payments to $2,035,208.

These disbursements which used up practically all the current earnings, and in one year actually entailed a drain on surplus (of $851,964 in 1932); a course made possible by the previous building-up of large reserves, typified a generous dividend policy at Gypsum during both depression and succeeding prosperity.

Incidentally, this has been in sharp contrast to Mr. Avery's philosophy while wearing his Ward hat. Whereas, at Gypsum, an average of 56% of the annual earnings have been paid out postwar, Ward — despite its bulging cash — has held its disbursements down to 35% of earnings.

Queried by this writer about this indicated inconsistency, Mr. Avery insisted that long-time inflation in real estate and store-building costs has made of Ward's a different situation.

Expansion Proclivities

Also in the area of expansion has Mr. Avery with Gypsum consistently practiced a liberal philosophy. In fact, the exceptional operating efficiency of the plants, as well as their strategic location, are credited with giving the company a wide advantage. Already in his report of 1908 Avery highlighted "the cost reduction achieved by a liberal program of expenditures." Throughout the 1920's the company's annual reports to stockholders stressed the large expenditures that were being continually made for new plants, and for improvements to the equipment of the older plants. The company's manufacturing operations today are credited by a top industry executive as being "superb in cost and service."

Most of the new plant locations have over the years been personally negotiated by Mr. Avery; with at least one of his executives emphasizing his consistent efforts toward improving efficiency through constant modernizing of machinery.

The company's expansion efforts even include plans to have seismic tests on its property in an attempt to determine its oil possibilities.

Job Stability

Also of timely interest now is the Gypsum Company's remarkable record for stability in executive jobs. Only one officer has left the company for reasons other than death or retirement (William J. Keady, who had risen from the ranks to become President, left in 1949 to become President of the Marathon Corporation. After about a year he left that company also, to head Pabco Products).

In the old days Mr. Avery was actually a pioneer in providing full information to stockholders. In his annual report for 1920 he initiated the practice of showing comparative balance sheets for several years—four years in this particular instance. Now the company gives a seven-year comparison of these figures.

Our iconoclast's market "a-consciousness," or at least his aversion to catering to the market, is demonstrated by Gypsum's desistence from splitting its stock, despite its price well above 200. Disapproving the current stock-splitting craze, Mr. Avery has been quoted as saying that splitting a stock is like getting two checks for your overcoat.

His Record at Ward's

Part and parcel of this statement of "the Avery record" must be an objective listing of such progress as has taken place at Montgomery Ward since his assumption of control at the end of 1931. 184 new stores have been opened, bringing the chain's total to 568 retail stores, in addition to 263 catalogue order offices and 9 mail order houses. Sales have increased from $176 million in 1932 to $884 million in 1954. Working capital has risen from $79 million to $597 million, with the corporation having a net worth in excess of $600 million, $300 million of which is in cash.

Other Corporate Activities

Mr. Avery's corporate activity and achievements include many areas outside of Ward and Gypsum. For many years he has served on the boards of U. S. Steel, Pullman, Pure Oil, People's Gas, and Northern Trust. Fellow directors at Steel say that he never misses a meeting; that he is keenly alert to what is going on in the enterprise; and that it is evidently an article of faith with him that the position of director carries the responsibility of constant supervision.

And Mr. Avery's conscientious director-ing also includes the Boards of the University of Chicago and the Chicago Museum of Natural History.

Work and Play Energy

Mr. Avery continues as a fireball of energy—for a man of any age. While on a visit to Chicago this writer phoned his office at mid-day for an appointment, to learn that the Chairman had since 8 a.m. been out on a round-the-clock and round-the-territory visit to the branch offices and stores, but that he would nevertheless receive business phone calls at home in the evening. On phoning him at 8.30 p.m. at his home, we were welcomed to an immediate two-hour discussion of his company policies and corporate philosophy and convictions.

And our hard working Happy Warrior still finds time to play. He does his 18 holes of golf when the weather permits; and manages actively to pursue his penchant for bird-hunting.

We are certain those birds realize they have a hard hitting but straight-shooting adversary!

Continued from first page

Common Stocks Are Respectable

corporation bonds, 2.90%; U. S. savings bonds, 2.76% to 3.00%; BAA corporation bonds, 3.45%; preferred stocks, 3.80%; and common stocks, 4.25%.

Some comments on that yield hierarchy might be made. One item worthy of mention is the fact that fourth grade or BAA corporation bonds yield only slightly more than ½ of 1% more than AAA, or highest quality corporation bonds. I feel that this small increase in yield is inadequate recompense for the relatively large increase in risk which is involved. Also notice that U. S. savings bonds today provide a relatively attractive yield, and here the Series H bonds are worthy of mention. They are purchased at par, may be redeemed at par during their life, and they mature at par in nine years and eight months after they are issued. If they are held to maturity they provide a very attractive yield equivalent to 3% compounded semi-annually. You will note that is a higher yield than is obtainable today on any marketable government bond and is also higher than the yield obtainable on the highest grade corporation bonds. In addition the Series H bond has no price risk attached to it. This is particularly relevant today when a possible rise in the general level of interest rates during 1955 would have the effect of decreasing the prices of high grade bonds, particularly long-term bonds. Moreover, a few weeks ago the Series H bond was made eligible for purchase by personal trusts as well as by individuals.

As many know, marketable bonds of high quality tend to fluctuate in price in the opposite direction with any changes in the general level of interest rates. At the present time interest rates have been rising slightly and as a result high grade marketable bonds have declined in price. Most owners of the marketable U. S. government bond, the 3¼s of 1978-83, have a profit in their investment. Many astute investors have switched out of that long-term government bond issue and into something like the Series H savings bond to eliminate the price risk which is inherent in a long-term marketable obligation.

The Yield of Preferred Stocks

Preferred stocks of high quality such as General Motors $3.75 preferred or Westinghouse Electric 3.80% preferred, yield today 3.7%. The yields on common stocks range from zero to 6%, depending upon the individual issue. For stocks that have a high growth factor to them, such as Travelers Insurance, Amerada Petroleum and International Business Machines, the yields are very low, and as a matter of fact the yields on all three of those stocks are today less than 1.5%.

The yields on other stocks that have a growth potential to them such as the chemicals, are also on the low side. For example, taking six chemical company common stocks, Allied Chemical & Dye, Dow, duPont, Eastman, Monsanto and Union Carbide & Carbon, we see these common stocks today have an average yield of only 2.75%. By contrast you could go to the mining industry and buy a stock such as Kennecott Copper, which pays a dividend of $6 a share and sells for about $100 and thereby provides a yield of 6%.

The average yield on stocks today for industrial stocks is about 4.25%. This still represents a substantial differential between the yield on high grade corporation bonds which as we mentioned above was only 2.9%.

Some Reasons for Common Stock Investment

Now let us look at some of the reasons why common stocks have now become respectable. We can demonstrate this in several ways. First, let's look at some of the changes in the law and practice regarding institutional investments. First, in 1950 New York State liberalized the legal requirements restricting the investment of trust funds in New York State. The law now provides that up to 35% of a trust which is restricted to legal investments can be invested in non-legals—that is, in common stocks.

Second, in April, 1952, New York savings banks were allowed to purchase common stocks for the first time.

Third, also in 1952 the Teachers Insurance & Annuity Association formed CREF which is a corporation selling deferred annuities to college professors. The funds which are turned over to them each year for investment are invested 100% in common stocks, whereas the remainder of the individual's premium is invested in a customary annuity which promises to pay him a fixed dollar income at retirement. In CREF, however, your annuity buys you not so many dollars of income on retirement but so many units and the value of the unit depends upon the value of the common stocks at the time of retirement. This plan was worked out very carefully, and in fact, they had to get the law of New York State changed to permit this legal reserve life insurance company to be allowed to invest in common stocks.

Fourth, in addition we have seen the large pension and profit sharing plans of our large corporations invested to an increasing extent in common stocks.

Fifth, also the investment companies, both the closed-end companies on the New York Stock Exchange and the unlisted mutual funds, are investing increasingly in common stocks. For example, at the end of 1953, Tri-Continental Corporation, the largest investment company listed on the New York Stock Exchange, had approximately 80% of its total assets invested in common stocks compared to a total of only 11% in cash, real estate and bonds. Likewise, Massachusetts Investors Trust, the largest unlisted investment company, had bonds aggregating about 1% of total assets at the end of 1953 compared to 97% of assets in common stocks.

Moreover, college endowments have also realized the advantages of common stocks, and as of June, 1952, the following colleges had these percentages of their total endowment in common stocks:

	%
Amherst	52
Brown	59
Cornell	51
Dartmouth	55
Harvard	53
University of Pennsylvania	59
Princeton	53
Trinity College	69

One last comment on institutional investors is the current variable annuity plan being proposed by the life insurance companies in New York State. Under this arrangement life insurance agents only would be permitted to sell this contract and the premiums which were paid to the insurance company by the annuitant would be invested 100% in common stocks.

The Higher Yields of Common Stocks

Why have common stocks become respectable? Why are these professional managers of money investing in common stocks to an increasing extent? Why has the Legislature liberalized investment restrictions several times so that institutions may invest to an increasing extent in common stocks? There are, of course, several reasons. One is that common stocks return a better yield and over a period of time this compounding of the return on the investment is a significant factor. This is true not because stock yields have increased but because bond yields have declined. By decades high grade corporate bond yields have been as follows:

	%
1900-1909	4.49
1910-1919	4.88
1920-1929	5.15
1930-1939	3.98

During 1940 the average yield on high grade corporation bonds was below 3% for the first time. During the same year common stocks enjoyed an average yield of 5.54%. As we noted earlier, high grade corporation bonds today still yield only 2.90%.

But this current yield advantage of stocks over bonds was not always the case. In 1929, for example, high grade corporation bonds yielded over 33% more than common stocks. Even in 1934-36, high grade corporation bonds yielded more than common stocks. Apparently many investors have not adequately recognized the present changed level of bond interest in their investment planning. Today we must recognize that high grade bonds yield less than 3% compared to a yield of 4¼% as the average yield on industrial common stocks.

In the second place, common stocks have shown a tendency to appreciate over a long period of time. If this were presented on a chart from 1900 to the present date you could see that although common stocks fluctuate in price, nevertheless the long-term trend is indisputably upward. Even if common stocks had been purchased at the peak of the market in 1929, they would nevertheless be higher today than they were then.

Another reason urging investment in common stocks is the fact that they have provided a good measure of protection against increases in the cost of living. This protection has not been 100% by any manner of means but nevertheless it has done a much better job than has been done by bonds or annuities which are payable in a fixed number of dollars.

Furthermore, the Securities and Exchange Commission has now been in existence for over 20 years and it has done an excellent job in making the marketplace for securities a market in which one can have confidence. The full disclosure of information and the elimination of the former abuses have facilitated the trading of securities, the formation of new companies and corporate reorganizations. Another factor is the fact that people today have confidence in the Government's ability to stabilize the economy.

For example, in 1954 there was the beginning of a recession in business. However, the Government acted promptly. Through its monetary and fiscal policies it acted decisively and the recession was very shortlived. Changes in rediscount rates, open market operations, changes in tax policy and changes in security restrictions all prevented the decline in business from snowballing into another 1932 type depression.

One other factor which has helped common stocks become respectable is the fact that we now have vastly improved information on companies. We have improved knowledge as to how to use that information and we have improved techniques for analyzing and appraising securities and the securities markets. All of these factors, I feel, have resulted in making common stocks respectable to an extent which they never enjoyed before.

Also increasing this respectability of common stocks has been the long-term decline in the real income from bonds. The fact that the purchasing power of the dollar has declined has meant that the bondholder has found his interest income has less and less purchasing power and when the bonds mature the principal amount of $1,000 returned to him also has less purchasing power than the $1,000 he had loaned to the corporation.

One other factor which today encourages common stock investment is the dividend exclusion and dividend credit now made available to the stockholder in his Federal income tax return.

Two other examples will conclude the support of my thesis that common stocks have now become respectable. The first example is that of the Harvard University Endowment which has certainly had an enviable financial record. In 1932 at the depth of the business depression and after common stocks had lost nine-tenths of their value since 1929, the Harvard University Endowment was invested in common stocks to only 12.4% of the total University Endowment. Of course if they had known what we know today they would have all of their Endowment in common stocks because that was the bottom of the stock market. By contrast, in 1952 Harvard University had 53% of its Endowment in common stocks. This dramatic shift in emphasis to common stocks is representative of the increased respectability of common stocks today.

My last example of the respectability of common stocks derives from the study made by Professors Eiteman and Smith at the University of Michigan which was entitled "Common Stock Values and Yields." Their study showed that over a 14-year period regular investments in common stocks yielded a return of 12.2% compounded annually. This study covered a period from 1937 through 1950. Every effort was made to avoid any possible bias and the stocks were selected at a fixed date each year, and as the authors put it—"This study has been deliberately and consistently designed to make the poorest showing possible." The results showed that on Jan. 15, 1950, the investor would have received back almost two and a half times his original cash investment. As these facts are becoming increasingly known, investment in common stocks today is becoming more and more respectable than ever before.

There remains one final item to mention, and that is, if common stocks are respectable to purchase, how do you do it? It seems to me there are two ways for the average investor to reap the long-term advantages of common stock investment. One is to participate in the monthly instalment plan on the New York Stock Exchange. In this arrangement an investor may invest as little as $160 a year in a stock of his own choosing by putting $40 a quarter into a common stock of his own selection, perhaps one of the closed-end investment companies listed on the New York Stock Exchange. Any broker who is a member of the New York Stock Exchange will be glad to help him with this. The plan is designed for the small investor and there is a brochure which is available from your broker describing it. For people who can invest larger amounts, my suggestion would be to utilize the services of an investment counsel. Today the securities markets are more selective than they have ever been and the selectivity evidences itself not only between securities of different industries but even between companies within the same industry.

It seems to me the investment program must be personalized and tailor-made to suit the particular individual. Thus one person might demand a maximum current income whereas another person who is in a high tax bracket might want an entirely different set of securities. Another factor that is urging the utilization of a professional investment counsellor is the fact that the investor today is competing more and more with other professionals as the institutional market is becoming more and more important through the liberalization of the laws we mentioned earlier, as well as through the growth of pension and profit sharing trusts, mutual investment companies, etc. The Trust Department of a commercial bank can tell you the name of a good investment advisor who will help you with your own investment program for a minimum fee. As a matter of fact, the customary fee for investment counsel service is only ½ of 1% of the principal amount per year. In other words, for a person with an account of say $100,000, his annual fee to an investment advisor would be only $500, and as that is a tax deductible item to him the real cost is much less.

Perhaps the commanding reason for professional investment help is the fact that the market has become selective to a degree that is realized by few laymen. For example, in the last year and a half the stock market as a whole has been rising as represented by the usual averages of the market. However, electrical equipment stocks have on the whole moved up faster than the market as a whole. At the same time soft drink stocks have moved along approximately horizontally, neither improving very much nor going down very much. On the other hand, the stocks of the ethical drug companies have tended to decline in price. For example, the stock of Parke Davis declined in recent years from a price of $53 to a price of about one half of that in a relatively short period of time. This selectivity, though, is evident not only in comparing one industry group versus another, but even in comparing companies in the same industry and in the same line of work. For example, in 1954 the sales of Montgomery Ward & Co. were less than they were in 1947. On the other hand, Sears Roebuck & Co. in 1954 had sales which were over $1,000,000 more than they were in 1947.

It seems to me that in this market today which is increasingly affected by the actions of professional investors, the layman would do well to engage a professional to help him, and your bank is a good place to go for advice on where to find a good professional investment counsel.

With American Secs Corp.

(Special to The Financial Chronicle)

MIAMI, Fla.—Byrd D. Aiken, Bill D. Clark, James S. Cobb, Charles H. Couey, Robert H. Kite, William S. Rosasco III, Richard Silvers, Jr., George A. Tyler, and Philip P. Vitsky are with American Securities Corporation.

Reinholdt & Gardner Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Charles K. Shand, John Terzian, Gustave L. Weinstock and Eugene Yalem are now with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

C. G. George & Co. Formed

(Special to The Financial Chronicle)

PASADENA, Calif. — Carlton Greer George & Co. has been formed with offices at 2025 North Fair Oakes Avenue to engage in a securities business. Officers are Carlton Greer George, President; Harry R. Tremain, Vice-President; and Solomon M. Gilens.

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of Western New York, a Marine Midland bank. Acquisition of the stock of the Bank of Gowanda by Marine Midland Corporation would be a necessary forerunner of merging of the two institutions. Additionally, approval would be needed from the banking supervisory authorities and from the Bank of Gowanda stockholders. Under the proposal they would receive eight shares of Marine Midland Corporation stock for each share of Bank of Gowanda, or a total of 64,000 shares of Marine Midland stock. The Bank of Gowanda was established in 1881 and in addition to its Gowanda office operates a branch in **Eden, New York.** Deposits of the bank on Dec. 31, 1954 amounted to $9,106,030 and total resources at that time were $9,876,894. Stanley A. Neilson who has been prominent in the New York State banking fraternity, is a past President of the New York State Bankers Association. Completion of the contemplated acquisition and merger woud increase the number of communities served by The Marine Trust Company of Western New York to 24 and the number of offices to 60. Total consolidated resources of the parent company, the Marine Midland Corporation, on Dec. 31, 1954 were $1,775,688,962. The acquisition of the Bank of Gowanda would increase the number of banking offices to 138 and the number of communities served by Marine Midland banks to 66.

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At a meeting of the Board of Trustees of the **New Britain Trust Co. of New Britain, Conn.,** on Feb. 1, the following new officers were elected: Herbert E. Carlson, Vice-President; Norman E. Steinberg, Assistant Secretary; William R. Synnott, Auditor. Harold N. Williams, an attorney was elected a Trustee.

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At a meeting of the Board of Managers of **The Montclair Savings Bank of Montclair, N. J.,** held on Feb. 8, Harry Brick and Kenneth A. Henke were elected to the Board. Mr. Brick of the New York Accounting Firm of Arthur Young & Co., is also a Director of Group Securities Inc., an Investment Trust with assets in excess of $80,000,000 and of Carl Zeiss, Inc. Mr. Henke is President of Henke's Inc. Jewelers and Silversmiths of Montclair. He was a director of the Bank of Montclair.

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The capital of the **Prospect National Bank of Trenton, N. J.,** was increased, effective Jan. 17, from $220,000 to $240,000, by a stock dividend of $20,000.

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At its annual meeting on Jan. 24, the **Reading Trust Co. of Reading, Pa.,** promoted four officers to new positions. Harold C. Wanner, formerly Trust Officer, was promoted to Vice-President and Trust Officer; George N. Yeager, former Assistant Treasurer, was advanced to Vice-President; Harold A. Stoudt was made Assistant Treasurer; and Norman R. Miller was named Assistant Trust Officer. All officers and directors were re-elected. Samuel R. Fry, is President; Lester F. Grieb, Executive Vice-President; Lawrence S. Hoffman, Vice-President; Herbert F. Dunn, Vice-President; Joel H. Manwiller, Secretary and Assistant Trust Officer; Eugene P. Schaeffer, Treasurer.

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According to the Philadelphia "Inquirer" of Jan. 28, C. A. Sienkiewicz, President of the **Central-Penn National Bank of Philadelphia** and John B. Krug, President of the **Wyoming Bank & Trust Co.** also of that city announced on Jan. 27 that the boards of the two banks had approved an agreement for purchase of Wyoming by Central-Penn, subject to approval by Wyoming stockholders and regulatory authorities. In part the "Inquirer" also said:

Terms of the agreement were not announced.

Acquisition of Wyoming will give Central-Penn 12 offices throughout the city. Wyoming, at year-end had assets of $13,064,000 and deposits of $12,057,000. Its absorption will increase Central-Penn assets to over $258,000,000 and its deposits to nearly $232,000,000.

Wyoming, located at 5th St. and Wyoming Ave., was established in 1923 under the leadership of Mr. Krug, who has been its President since that time. Mr. Krug will become a Vice-President of Central-Penn, Wililam K. Brandt, Wyoming Vice-President, and Russell E. Roberts Treasurer, also will be officers of Central-Penn, stationed in the Wyoming office. The announcement stated that the entire present staff of Wyoming will be retained.

Messrs. Seinkiewicz and Krug emphasized Central-Penn's intention to maintain Wyoming's tradition of neighborhood service.

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Shareholders of **Central National Bank of Cleveland** attended the 65th annual meeting of the bank in record numbers, more than 700 having been present at the meeting held Jan. 25 in the Hotel Statler. Shareholders elected a 25 man board of directors. Included was one new director, Samuel S. Kaufman, President of the Campus Sweater and Sportswear Company. He replaces Mr. E. Franklin Motch, who died Jan. 6. Other important actions taken at the meeting were approval of the issuance of 171,875 new shares of capital stock at $32.50 per share, and the adoption of a profit sharing plan for all employees. The new capital shares will be offered to shareholders in the ratio of one new share for approximately four shares held of record Jan. 19, 1955. Shareholders have until Feb. 16, to subscribe for the additional shares. McDonald & Company of Cleveland heads a group of underwriters to purchase any unsubscribed shares. Total outstanding shares after the new issue will be 875,000 with par value of $16 each. Sale of the additional stock at $32.50 per share will increase the capital stock by $2,750,00, surplus by $2,750,000, and undivided profits by $85,937. Capital funds of $25,100,921 at Dec. 31, 1954, adjusted for the addition of $5,585,937 will amount to $30,686,859. The new profit sharing plan approved by the shareholders takes the place of the customary Christmas bonus. It provides cash payments for all employees and deferred payments to employees with five years or more of service. President of the bank Loring L. Gelbach stated that the plan would not only provide an opportunity for the bank's staff to participate directly in the profit of the business but would also serve as an incentive for employees to strive for increased business and profits for the bank.

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A $500,000 addition was made to the capital of the **Farmers & Merchants National Bank in Benton Harbor, Mich.,** effective Jan. 13. The capital was thereby enlarged from $250,000 to $750,000 of which $250,000 represented a stock dividend, the further $250,000 addition having been brought about by the sale of new stock.

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As a result of a stock dividend of $5,000,000, the **Northwestern National Bank of Minneapolis, Minn.,** increased its capital as of Jan. 18 from $5,000,000 to $10,000,000.

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An addition of $300,000 has been made to the capital of the **Florida National Bank at Key West, Fla.,** a stock dividend of that amount having enlarged the capital as of Jan. 18 from $100,000 to $400,000.

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A stock dividend of $600,000 declared by the **National Bank of Commerce in New Orleans, La.,** has resulted in bringing the bank's capital up to $3,600,000, from $3,000,000, the increased amount having become effective Jan. 20.

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Under the charter and title of the **Industrial National Bank of Dallas, at Dallas, Texas,** (capital $300,000) the **Oak Lawn National Bank** (capital $$200,000) was consolidated with the Industrial National at the close of business Jan. 22. At the effective date of consolidation the consolidated bank would have, it was announced capital stock of $500,000, divided into 50,000 shares of common stock of the par value of $10 each; surplus of $200,000; and undivided profits of not less than $55,000.

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Ten veteran members of the staff of the **First National Bank in Dallas, Texas,** have brought their active banking careers to a close under the institution's retirement plan after serving a total of more than 300 years. They are George Waverley Briggs, Vice-President and Senior Trust Officer; Edgar L. Flippen, Chairman of the Board; Wilbur W. Hawkins, ladies' teller; Mallard Hulsey, guard; Mrs. Belle Mecklenburg, chief telephone operator; Ray Nesbitt, Vice-President; Tilden Rudd, Supervisor, Savings Department; Mrs. Lela Taylor, in charge of general files; J. C. Tenison, Vice-Chairman of the Board; and E. T. Ward, Assistant Cashier. First National stockholders at their annual meeting Jan. 11 paid tribute to the retiring staff members in a resolution which commended them for loyal and devoted service. Previously they were guests of honor at a dinner, at which each was presented with his or her choice of a sterling silver serving tray or a gold wrist watch, appropriately inscribed. Mr. Briggs, long-time head of First National's Trust Department, who has served the bank nearly 35 years, has been elected Honorary Senior Trust Officer. In 1919 Mr. Briggs became Commisioner of Insurance and Banking for Texas. After coming to Dallas in 1920 as Vice-President and Trust Officer of the old City National Bank, he organized the trust department of that bank, one of the first such departments in the South. When in 1930 that bank formed part of the merger that created the First National, he continued as Vice-President and Trust Officer. Previous to becoming President of First National in 1944, Mr. Flippen served for 12 years as President of the Gulf Insurance Company and the Atlantic Insurance Company. He was elevated to Chairman of the Board of First National in 1950. Mr. Tenison has retired as Vice-Chairman of the Board after a banking career which spanned some 49 years and began and ended at the First National Bank in Dallas. His first bank experience was gained as a page in the old City National Bank, a forerunner of the First National, during high school vacations. As a young man he worked full-time for the City National from 1908 until 1916. He joined the Dallas National Bank in 1920 and served as Cashier and Vice-President previous to his election to the Presidency in 1944. He was advanced to Chairman of the Board and Chairman of the Executive Committee in 1953. When the Dallas National and First National consolidated last August, he returned as Vice-Chairman of the Board. Born and reared in Dallas, he is the son of the late E. O. Tenison, pioneer Dallas banker. He is a past President of the Dallas Clearing House Association.

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The First National Bank of Pueblo, Colo., as of Jan. 14 reports a capital of $1,500,000 against $1,000,000 previously, the $500,000 increase having resulted from a stock dividend of that amount.

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As of Jan. 21 the **Montana National Bank of Billings, Mont.,** increased its capital from $275,000 to $325,000, the additional $50,000 having resulted from a stock dividend of that amount.

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Promotions of nine members of the staff of the **Anglo California National Bank of San Francisco,** were announced on Jan. 27 by Paul E. Hoover, President. At the Van Ness Avenue office, San Francisco, Carl J. Tietz has been promoted to Assistant Vice-President and Manager. At the head office, Philip S. Dalton and Jess E. Wilson have been named as Assistant Vice-Presidents, and Leroy Benge, James M. Crane, William A. Daegling, Charles L. McMullen and Wesley T. Wilson have been appointed Assistant Cashiers. At the same office, James A. Keeley, formerly Assistant Trust Officer, has been named Assistant Trust Officer and Assistant Secretary.

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A special meeting of the shareholders of **California Bank of Los Angeles,** has been called for Feb. 28, to consider a proposal to merge **The First National Bank of Pomona** and the **California Trust Company** into the California Bank. The proposed merger has been approved by the boards of directors of the respective institutions. A previous item on the matter appeared in our issue of Jan. 13, page 175. The First National Bank of Pomona's total deposits were $30,664,239 at the year end. Its head office and two branch offices are located in Pomona. On the effective date of the merger, Raymond E. Smith, Chairman of the Board and President of The First National Bank of Pomona, will become a director and Vice-President of California Bank. California Trust Company is owned entirely by California Bank and conducts exclusively a trust business at its office in the Head Office Building of California Bank in Los Angeles. By merging the company into California Bank, trust facilities, it is stated, will be more readily available for the convenience of the bank's customers at the branch offices. California Bank, it was added, would formally acquire the business of the **Oilfields Natioinal Bank in Brea, Brea, Calif.,** on Feb. 5 the bank opening for business as the Brea Office of California Bank on Feb. 7. Joseph E. Witten, President of the Oilfields National Bank since 1936, will continue in charge as a Vice-President of California Bank. R. E. Barnes, former Cashier, has been named Assistant Vice-President, and C. J. Schwartz, former Assistant Cashier, will be Assistant Manager of the Brea Office.

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The Board of Governors of the Federal Reserve System report that the **American Trust Company of San Francisco, Calif.,** and the **Monterey County Trust & Savings Bank** of Salinas, Calif., both State members of the Reserve System, merged as of Jan. 3, under the charter and title of the American Trust Company: The former head office and branches of the Monterey County Trust & Savings Bank will be operated as branches by the continuing bank.

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At a recent meeting of the Board of Directors of the **Citizens National Trust & Savings Bank of Los Angeles, Calif.,** the following promotions were announced:

W. O. Lindstrom, Junior Vice-President and Manager of the Van Nuys Branch, was elected to the position of Vice-President; Kenneth C. Moore, Junior Vice-President in the Cashier's Department, Head Office, to Vice-President; and E. R. Tracy, Junior Vice-President, Administration Division, Head Office, to Vice-President. Robert R. Bartlett was elected to the position of Junior Vice-President; I. W. Skidmore, from Assistant Cashier to Junior Vice-President; Roy C. Winchell, from Assistant Trust Officer and Manager of the Escrow Department to Junior Vice-President. Marvin E. Rex and James W. Wood moved up from the position of Assistant Secretary to Assistant Trust Officer; Robert G. Brower and Robert M. Smith were elected to the position of Assistant Cashier, and Homer B. Newman was named Assistant Secretary.

The directors also declared the regular quarterly dividend at the rate of 37½ cents a share, payable Feb. 1, on stock of record at the close of business Jan. 21. In commenting on the dividend, President Roy A. Britt stated that the rate of 37½ cents a share is based on the $10 par value stock now outstanding after the recent two-for-one stock split. This is equivalent to the previous 75 cents a share paid during the last two quarters of 1954 on the $20 par value stock then outstanding.

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James A. Bacigalupi, Jr., Assistant Vice-President of **Crocker First National Bank of San Francisco** has been appointed Advertising Manager according to an announcement on Jan. 31 made by J. F. Sullivan, Jr., President. The advertising and business development activities are now under the general direction of Hart H. Tantau, Vice-President and Coordinator. Advertising in San Francisco, Oakland and the bank's new San Mateo office will be under Mr. Bacigalupi's supervision.

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R. Stanley Dollar was one of three new directors elected to the board of the **First Western Bank and Trust Company of San Francisco,** at the annual meeting of the bank's stockholders on Jan. 18. T. J. Coats, Chairman of the Board, told the First Western's shareholders that the statewide branch banking organization created by First Western during 1954 would be steadily expanded Permission already has been granted to open the three new offices, he said, which will raise the bank's total offices to 57. In addition to Mr. Dollar, the new directors elected at the meeting were C. T. Chandler and Oscar H. Keller, both Vice-Presidents of **Transamerica Corporation.** Mr. Dollar is the son of Captain Robert Dollar, who was an important figure in the early life of First Western's predecessor, **The San Francisco Bank,** on whose board of directors he also served. The First Western board made five executive appointments at the Jan. 18 meeting. At the bank's main office in San Francisco, William H. Pratt and David A. Healey was named Assistant Vice-Presidents and Arthur P. Fishe was named Assistant Cashier. At the bank's Oakland Central office, J. G. Updegraff and Robert A. Smale were named Assistant Vice-Presidents. Messrs. Pratt, Healey and Smale have just joined First Western. Mr. Coats pointed out that resource at the end of 1954 approximated $800,000,000, deposits aggreated $745,000,000, and real estate and com-

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mercial loans aggregated $342,000,000. The bank has changed its fiscal year to end Dec. 31 from June 30.

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To provide additional capital funds to keep pace with the growth of the bank, shareholders of **Citizens National Trust & Savings Bank of Los Angeles, Calif.,** are being offered rights to subscribe to additional shares of common stock. Shareholders of record at the close of business on Jan. 11, are receiving transferable rights to subscribe to an additional 200,000 shares of $10 par value common stock of the bank at $33 per share at the rate of two new shares for each five $10 par value shares held. Rights expire on Feb. 14, 1955. A group of underwriters headed by Blyth & Co., Inc. will purchase any unsubscribed shares. Sale of the additional shares will bring the outstanding stock of the bank to a total of 700,000 shares. Proceeds, amounting to approximately $6,600,000, will be added to the capital funds of the bank. Following the financing, the capital funds account will be: capital stock ($10 par value) $7,000,000; surplus $15,000,000 and undivided profit $4,887,263. The bank conducts a general banking business, with a head office in downtown Los Angeles and 35 branch offices in Los Angeles or adjacent communities.

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The following changes in the official staff of **The Bank of California, N. A., San Francisco** were announced on Dec. 28.

William D. Dockstader, Assistant Manager of the bank's Martinez Office, was elected Vice-President and Manager of that office. He succeeds Leroy W. Beede, Vice-President and Manager, who retired Dec. 31, 1954. Mr. Beede was formerly President of **The Bank of Martinez** which was merged with The Bank of California in August of the past year. At the Seattle, Washington Office, Jack D. Gnagey was appointed Assistant Manager. Mr. Gnagey joined the staff of The Bank of California May 13, 1925 and has served in various capacities in the bank, including Manager of the Foreign Department. At the time of his appointment, he was serving as an analyst in the Credit Department. Harvey H. Pasic was promoted to Assistant Trust Officer at the bank's Tacoma, Washington Office. Mr. Pasic has served continuously in the Trust Department since joining the bank in 1936, with the exception of the time he spent in the armed forces.

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Following a meeting of the board of directors of **The Bank of California, N. A., San Francisco, Calif.,** on Jan. 31, it was announced that Irving W. Danielson will join the executive staff of the bank as Vice-President.

Prior to his appointment as Vice-President of The Bank of California, Mr. Danielson had served as Assistant Vice-President in the corporation and bank relations department of administration at the head office of the bank of America since 1949.

He began his banking career as a bookeeper with the Sacramento office of that bank in 1929. After serving in various offices of the bank he was transferred to the San Francisco head office in 1946, and assumed duties as Assistant Director of Staff Training, a position he held until his appointment in 1949 to the corporation and bank relations department.

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The Bank of Albany at Albany, Ore., The Commercial Bank of Oregon at Hillsboro, Ore., both State members of the Federal Reserve System and **The United States National Bank of Portland, Ore.,** have merged under the charter and title of The United States National Bank of Portland on Nov. 29, 1954. The former main offices of the Bank of Albany and The Commercial Bank of Oregon and the ten branches formerly operated by The Commercial Bank of Oregon, will be operated as branches by The United States National Bank of Portland, according to the announcement of the Federal Reserve System under date of Dec. 4.

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The Canadian Bank of Commerce announces the appointment of T. L. Avison as Assistant General Manager in charge of the Investment Division of the bank at its head office in **Toronto**. Mr. Avison, graduated from the University of Toronto in 1934 and prior to his recent appointment he was Associate Treasurer of the Sun Life Assurance Company of Canada in Montreal. He has had extensive experience in the investment field including three years in London, England, and previously served with the Department of Finance in Ottawa for several years during the last war.

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E. M. Gunderson, C. A., has been elected a Director of **The Canadian Bank of Commerce, Toronto, Canada.**

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D. L. Witter has been appointed Comptroller of **The Royal Bank of Canada**, head office **Montreal**, it was announced recently. Mr. Witter has been the bank's Chief Accountant since 1947. Establishment of a Comptroller's department is a new departure for the bank and was foreshadowed in the address of James Muir, Chairman and President, at the bank's recent annual meeting. "Our Comptroller," said Mr. Muir, "will be charged with the duty of seeing that rigid control is exercised at all times over our costs."

Appointment of M. G. Clennett as Chief Accountant, succeeding Mr. Witter, is also announced by the bank.

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The following advises have been received from N. F. Banfield, Assistant Vice-President of the **Bishop National Bank of Hawaii at Honolulu** making known promotions and new appointments made by the directors of the bank on Jan. 18: Jan F. Mowat, formerly Vice-President, to be Vice-President and Cashier; Herbert M. Taylor, formerly Assistant Vice-President, to be Vice-President; John D. Bellinger and Robert W. Chatterton, formerly Assistant Cashiers, to be Assistant Vice-Presidents; and Frank S. Dunn, formerly Manager, Kailua Branch, to be Assistant Cashier. Carl R. Bechert and Stanley W. Franklin were appointed Assistant Cashiers. All others officers were re-elected.

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"The Chartered Bank of India, Australia and China, London, Eng., announces that Mr. H. F. Morford has been appointed Chief General Manager in succession to Mr. W. R. Cockburn who will join the Court of Directors on Jan. 19.

"A branch of The Chartered Bank of India, Australia and China was opened on Jan. 19 at Crosby House, Robinson Road, Singapore."

P. C. W. Patsch Opens

(Special to The Financial Chronicle)

SANTA BARBARA, Calif. — Peter C. W. Patsch is engaging in a securities busines from offices at 24 East Canon Perdido.

Bank of America Group Offer Long Beach, Cal. School District Bonds

A group headed by Bank of America, N.T. & S.A. is offering $16,250,000 Long Beach Unified School District, Los Angeles County, Calif., 2½% bonds, Election 1954, Series A, due March 1, 1956-1975, inclusive at prices to yield from 0.90% to 2.50%. The group submitted a winning bid of 100.29% for the bonds at competitive sale on Feb. 8.

The underwriting group includes: Blyth & Co., Inc.; Inc.; The Northern Trust Company; The First Boston Corporation; Harris Trust and Savings Bank; Phelps, Fenn & Co., Harriman Ripley & Co. Incorporated; R. H. Moulton & Company; Security-First National Bank of Los Angeles; American Trust Company, San Francisco; Smith, Barney & Co.; C. J. Devine & Co.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler; Goldman, Sachs & Co.; The First National Bank of Portland, Oregon; Weeden & Co. Incorporated; Dean Witter & Co.; California Bank, Los Angeles; Equitable Securities Corporation; Laidlaw & Co.

Munic. Bond Club of Chicago Cocktail Party

CHICAGO, Ill. — On Monday, Feb. 21, 1955, the Municipal Bond Club of Chicago will hold a cocktail party for members and their wives at the Chicago Yacht Club. This is the first time in the history of the club that a gathering such as this has been opened to the wives of the members. The Chicago Yacht Club is located at Monroe Street on the lake front.

Philadelphia Municipal Bond Club Luncheon

PHILADELPHIA, Pa. — The Municipal Bond Club of Philadelphia will hold a luncheon at the Union League on Feb. 28 at 12:30 p.m. Hon. W. Randolph Burgess, Under-Secretary of the Treasury (for Monetary Affairs) will deliver a brief address. Leighton H. McIlvaine, Goldman, Sachs & Co., is Chairman of Arrangements.

Toronto Bond Traders Association Dinner

TORONTO, Canada — The Toronto Bond Traders Association will hold its annual dinner March 11 at the King Edward Hotel.

J. M. Lober Co. Formed

WHITE PLAINS, N. Y.—James M. Lober has formed James M. Lober Co. with offices at 76 Mamaroneck Avenue to engage in the securities business.

D. N. Silverman Opens

NEW ORLEANS, La. — Daniel N. Silverman, Jr., has formed D. N. Silverman Co., Inc. with offices in the Shell Building to engage in a securities business.

S. W. Diversified Inv.

AUSTIN, Tex. — Southwestern Diversified Investments has been formed with offices at 1203 San Jacinto to conduct a securities business. Henry H. Moore is a principal of the firm.

With Daniel Reeves Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Philip Borut is now connected with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Continued from page 11

Utility Financing And Atomic Power

complicated designs to obtain increased efficiency and higher construction costs, the proportion of total money going for fixed charges becomes greater and greater. To fully benefit from this lower operating cost, every effort must be made to use these new machines around-the-clock. This need for maintaining a high load factor on these newer machines presents problems to the transmission people. More and longer transmission lines must be built into the electrical system to provide transmission capacity as well as reliability and operating flexibility. Transmission losses, which are already considerable, must be carefully watched.

In contrast to the decline in ton/miles on the railroads we note a definite and moving trend toward an increase in the average miles each kilowatt must travel to reach the load. This increase in miles of transmission line per kilowatt transmitted means larger transmission investment and higher losses. We are not always able to use the more efficient machines to the greatest advantage even at moderately heavy load periods. It is even more difficult to maintain full loads on the machines with a low operating cost during light load periods, when the capability in low cost equipment often exceeds the load.

This is illustrated in Table III, the tabulation which shows Detroit Edison's system load conditions before and after the building of two large generating plants.

Studies of the use of atomic energy in central stations indicate that the trends of greater capacity concentrations, larger transmission distances and the need for high load factor operation will be accentuated further. Seemingly, we will still have to stay near large sources of water for condensing of steam purposes with a new factor added. I refer to the safety factor—atomic plants seemingly must be built at greater distances from population centers.

These transmission factors should receive consideration in any alternative cost study of nuclear and conventional fuels.

Fixed Charges Will Be More Important

All alternative cost studies of atomic and conventional fuels point toward a relatively higher fixed and rigid cost if atomic fuels are used. This means the relationship of load factor to profits will be even more important if utilities go to atomic generation.

A premium will be put upon marketing research in order to increase the load factor of the domestic and commercial classes. Fuel costs will become fairly uniform throughout the country. This is contrary to the situation today. The fuel cost per million Btu is 8.7c in Texas and 38.8c in Vermont. The coming uniformity will give more mobility to the process industries which use large amounts of electricity. This augurs well for Detroit Edison which already serves a metal fabrication area which requires many employees to operate its factories. We have discovered time and again that people generally are not too mobile as to their place of residence so the basic processing industries, which employ relatively few people, will gravitate to Detroit.

As fixed charges become relatively heavier and rigid under atomic energy, we will have to strengthen the demand portion of our rate schedules as distinguished from the energy portion. We are already pointing our rate schedules in that direction.

Atomic Power Developments

The new Atomic Energy Act was enacted last August. It contains many favorable and unfavorable clauses as to the construction and operation of power reactors by privately owned utilities. It does not permit ownership of fissionable materials by any body other than the United States Government.

The Act's first section states:—"It is therefore declared to be the policy of the United States that . . . the development, use and control of atomic energy shall be directed so as to . . . increase the standard of living and *strengthen free competition in private enterprise.*"

In one of its later sections it states:—"Where such conflicting applications resulting from limited opportunity for such license include those submitted by *public or cooperative bodies* such applications shall be given *preferred* consideration."

The Act also favors high cost power areas. In granting a license, AEC . . . "shall give preferred consideration to applications for such facilities which will be located in high cost power areas."

Some *favorable* aspects are as follows:

(1) Commercial reactors may be privately owned and operated.

(2) Nuclear fuels will be made available under license.

(3) The Atomic Energy Commission must pay a "fair price" which may be guaranteed up to seven years for nuclear fuels produced by such private reactors.

Patents and Inventions

The new law is restrictive as to patents. New discoveries, if they are conceived or executed by private industry working under government auspices or financing, are non-patentable. The AEC is permitted to compel a patent owner, who receives his patent in the next five years, to license other companies to use the patented discovery—subject to certain provisos. AEC must however find that the invention is "of primary importance." The compulsory licensing provisions are applicable to patents applied for before Sept. 1, 1959. These provisions are considered a safeguard against the possibility of a few companies achieving monopolistic benefits from patents.

Atomic Power Development Associates (APDA)

Investors in utility securities are fortunate in that no complacency has developed in the electric power industry. It has recognized its responsibility for everything having to do with the production and distribution of electricity and in the improvement of the art relating thereto.

Among the earliest entrants in the field of atomic power development was my own company—Detroit Edison. We entered actively

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TABLE III

Year	Time	Load Megawatts	Average Miles of Transmission per Megawatt	—Average % Load on Generators— High Oper. Cost	Medium Oper. Cost	Low Oper. Cost
1952	6:00 p.m.	1,900	12	100	100	--
1956	6:00 p.m.	2,700	16	85	100	100
1956	4:00 a.m.	900	16	14	19	56

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)	Feb. 13	§87.4	*85.8	83.2	74.4
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 13	§2,110,000	*2,070,000	2,007,000	1,774,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of	Jan. 28	6,677,450	6,694,700	6,342,950	6,257,200
42 gallons each)	Jan. 28	¶7,402,000	7,179,000	7,296,000	6,948,000
Crude runs to stills—daily average (bbls.)	Jan. 28	24,546,000	24,464,000	25,319,000	23,245,000
Gasoline output (bbls.)	Jan. 28	2,724,000	2,622,000	2,606,000	2,539,000
Kerosene output (bbls.)					
Distillate fuel oil output (bbls.)	Jan. 28	11,920,000	12,256,000	11,846,000	10,253,000
Residual fuel oil output (bbls.)	Jan. 28	8,369,000	8,141,000	8,311,000	8,312,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 28	169,612,000	166,285,000	157,228,000	168,480,000
Kerosene (bbls.) at	Jan. 28	24,532,000	26,118,000	29,281,000	21,710,000
Distillate fuel oil (bbls.) at	Jan. 28	89,032,000	95,870,000	109,631,000	83,524,000
Residual fuel oil (bbls.) at	Jan. 28	48,537,000	49,931,000	51,361,000	46,433,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 29	641,979	635,653	529,452	628,193
Revenue freight received from connections (no. of cars)	Jan. 29	609,286	610,906	507,424	609,634
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 3	$279,861,000	$258,481,000	$414,944,000	$194,300,000
Private construction	Feb. 3	182,713,000	160,389,000	232,952,000	115,989,000
Public construction	Feb. 3	97,148,000	98,032,000	181,992,000	78,311,000
State and municipal	Feb. 3	66,705,000	70,720,000	84,089,000	63,029,000
Federal	Feb. 3	30,443,000	27,372,000	97,908,000	15,282,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 29	8,835,000	*8,540,000	7,430,000	8,405,000
Pennsylvania anthracite (tons)	Jan. 29	608,000	597,000	512,000	708,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 29	86	95	80	85
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 5	‡10,047,000	10,003,000	9,833,000	8,674,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 3	264	255	198	238
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 1	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Feb. 1	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Feb. 1	$35.50	$35.50	$34.17	$27.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 2	32.700c	29.700c	29.700c	29.700c
Export refinery at	Feb. 2	34.800c	32.850c	31.750c	28.875c
Straits tin (New York) at	Feb. 2	90.250c	88.875c	88.000c	85.000c
Lead (New York) at	Feb. 2	15.000c	15.000c	15.000c	13.000c
Lead (St. Louis) at	Feb. 2	14.800c	14.800c	14.800c	12.800c
Zinc (East St. Louis) at	Feb. 2	11.500c	11.500c	11.500c	9.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 8	97.55	97.29	98.37	98.86
Average corporate	Feb. 8	109.97	109.97	110.52	108.70
Aaa	Feb. 8	113.70	113.89	114.66	114.08
Aa	Feb. 8	111.44	111.62	112.19	110.70
A	Feb. 8	110.15	110.15	110.34	108.34
Baa	Feb. 8	104.83	104.83	105.00	101.97
Railroad Group	Feb. 8	108.16	107.98	108.70	106.92
Public Utilities Group	Feb. 8	110.70	110.70	111.07	108.52
Industrials Group	Feb. 8	111.07	111.25	111.81	110.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 8	2.68	2.70	2.61	2.58
Average corporate	Feb. 8	3.17	3.17	3.14	3.24
Aaa	Feb. 8	2.97	2.96	2.92	2.95
Aa	Feb. 8	3.09	3.08	3.05	3.13
A	Feb. 8	3.16	3.16	3.15	3.26
Baa	Feb. 8	3.46	3.46	3.45	3.63
Railroad Group	Feb. 8	3.27	3.28	3.24	3.34
Public Utilities Group	Feb. 8	3.13	3.13	3.11	3.25
Industrials Group	Feb. 8	3.11	3.10	3.07	3.14
MOODY'S COMMODITY INDEX	Feb. 8	412.3	416.6	413.9	420.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 29	244,391	226,971	214,669	232,351
Production (tons)	Jan. 29	257,931	252,346	140,640	240,413
Percentage of activity	Jan. 29	94	93	47	92
Unfilled orders (tons) at end of period	Jan. 29	354,462	360,787	363,024	330,839
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Feb. 4	106.75	106.75	106.54	106.95
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	Jan. 22	1,393,114	1,772,913	1,036,822	925,853
Dollar value	Jan. 22	$71,651,552	$86,516,910	$50,161,993	$42,297,268
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Jan. 22	1,281,172	1,474,801	1,173,155	828,804
Customers' short sales	Jan. 22	8,923	6,021	7,016	8,552
Customers' other sales	Jan. 22	1,272,249	1,468,780	1,166,139	820,252
Dollar value	Jan. 22	$60,721,770	$68,402,918	$52,646,036	$35,578,856
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 22	353,220	368,980	398,980	240,540
Short sales	Jan. 22	------	------	------	------
Other sales	Jan. 22	353,220	368,980	398,980	240,540
Round-lot purchases by dealers—					
Number of shares	Jan. 22	485,050	632,740	284,400	334,810
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	Jan. 15	640,780	616,950	540,720	326,320
Other sales	Jan. 15	17,858,980	23,458,400	15,402,950	7,624,580
Total sales	Jan. 15	18,499,760	24,075,350	15,943,670	7,950,900
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 15	2,092,850	3,355,750	1,790,150	836,380
Short sales	Jan. 15	354,000	350,620	278,860	147,840
Other sales	Jan. 15	2,029,440	2,844,230	1,430,720	678,130
Total sales	Jan. 15	2,383,440	3,194,850	1,709,580	825,970
Other transactions initiated on the floor—					
Total purchases	Jan. 15	634,980	868,160	543,970	232,930
Short sales	Jan. 15	38,300	28,820	34,000	10,200
Other sales	Jan. 15	634,250	860,000	499,410	207,500
Total sales	Jan. 15	672,550	888,820	533,410	217,700
Other transactions initiated off the floor—					
Total purchases	Jan. 15	692,995	914,792	629,150	375,896
Short sales	Jan. 15	74,020	74,730	68,810	49,020
Other sales	Jan. 15	1,054,116	977,270	694,921	326,276
Total sales	Jan. 15	1,128,136	1,052,000	763,731	375,296
Total round-lot transactions for account of members—					
Total purchases	Jan. 15	3,420,825	5,138,702	2,963,270	1,445,206
Short sales	Jan. 15	466,320	454,170	381,670	207,060
Other sales	Jan. 15	3,717,806	4,681,500	2,625,051	1,211,906
Total sales	Jan. 15	4,184,126	5,135,670	3,006,721	1,418,966
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 1	110.2	*110.1	109.8	110.6
Farm products	Feb. 1	93.7	93.0	91.2	97.3
Processed foods	Feb. 1	103.2	103.7	103.3	105.2
Meats	Feb. 1	85.0	86.7	84.8	93.1
All commodities other than farm and foods	Feb. 1	115.2	115.2	115.1	114.5

*Revised figure. ¶Includes 695,000 barrels of foreign crude runs §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons. ‡All-time new high record.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of December (in millions):			
Total new construction	$2,985	$3,285	$2,712
Private construction	2,202	2,347	1,917
Residential building (nonfarm)	1,214	1,292	951
New dwelling units	1,115	1,175	850
Additions and alterations	77	95	78
Nonhousekeeping	22	22	23
Nonresidential building (nonfarm)	534	551	507
Industrial	172	169	177
Commercial	186	200	182
Warehouses, office and loft buildings	88	94	79
Stores, restaurants and garages	98	106	103
Other nonresidential building	176	182	148
Religious	57	59	45
Educational	51	53	40
Social and recreational	15	17	16
Hospital and institutional	28	29	26
Miscellaneous	25	24	21
Farm construction	93	106	103
Public utilities	349	386	347
Railroad	29	34	36
Telephone and telegraph	49	53	48
Other public utilities	271	299	263
All other private	12	12	9
Public construction	783	938	795
Residential building	22	23	39
Nonresidential building	339	358	350
Industrial	100	103	136
Educational	174	179	152
Hospital and institutional	24	27	23
Other nonresidential building	41	49	39
Military facilities	83	90	78
Highways	185	300	174
Sewer and water	77	84	71
Miscellaneous public service enterprises	12	14	13
Conservation and development	55	59	61
All other public	10	10	9
CONSUMER PRICE INDEX — 1947-49=100 — Month of December:			
All items	114.3	114.6	114.9
Food	110.4	111.1	112.3
Food at home	109.2	110.1	111.7
Cereals and bakery products	123.3	123.1	120.9
Meats, poultry and fish	102.2	103.5	107.8
Dairy products	106.8	106.6	110.3
Fruits and vegetables	108.4	109.6	109.2
Other foods at home	112.0	113.7	113.5
Housing	119.7	119.5	118.9
Rent	129.4	129.2	127.6
Gas and electricity	109.1	108.7	107.2
Solid fuels and fuel oil	125.5	124.2	125.3
Housefurnishings	105.4	105.4	108.1
Household operation	117.7	117.8	117.0
Apparel	104.3	104.6	105.3
Men's and boys'	106.5	106.5	107.6
Women's and girls'	99.5	99.5	100.5
Footwear	116.9	117.0	116.1
Other apparel	91.1	91.2	90.9
Transportation	127.3	127.6	128.9
Medical care	126.3	126.1	123.6
Personal care	113.6	113.8	113.6
Reading and recreation	106.6	106.8	108.9
Other goods and services	119.9	120.0	120.3
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of January:			
Copper (per pound)—			
Electrolytic domestic refinery	29.783c	29.700c	29.671c
Electrolytic export refinery	32.574c	31.036c	28.767c
Lead—			
Common, New York (per pound)	15.000c	15.000c	13.260c
Common, St. Louis (per pound)	14.800c	14.800c	13.060c
‡‡Prompt, London (per long ton)	£104.065	£104.216	£86.453
††Three months, London (per long ton)	£103.702	£103.202	£85.794
¶Antimony, New York Boxed	31.970c	31.970c	31.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	28.500c
Antimony (per pound) Laredo	29.000c	29.000c	29.000c
Platinum, refined (per ounce)	$79.500	$78.250	$90.160
Zinc (per pound)—East St. Louis	11.500c	11.500c	9.760c
††Zinc, London, prompt (per long ton)	£85.836	£82.722	£73.022
††Zinc, London, three months (per long ton)	£84.432	£82.023	£71.666
†Cadmium refined (per pound)	$1.70000	$1.70000	$2.00000
‡Cadmium (per pound)	$1.70000	$1.70000	$2.07500
§Cadmium (per pound)	$1.70000	$1.70000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	85.250c
Silver, London (pence per ounce)	74.238	74.250	73.750
Sterling Exchange (Check)	$2.78510	$2.78764	$2.81163
Tin, New York Straits	87.290c	88.649c	84.830c
§§New York, 99% min.	86.290c	87.649c	83.830c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$322.000	$319.538	$187.360
Aluminum, 99% plus ingot (per pound)	22.880c	22.200c	21.500c
Magnesium ingot (per pound)	27.000c	27.000c	27.000c
**Nickel	64.500c	64.500c	60.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Nov. (000's omitted):			
Savings and loan associations	$756,856	$765,251	$564,200
Insurance companies	177,204	178,200	113,998
Bank and trust companies	399,476	392,839	289,835
Mutual savings banks	147,328	139,868	113,180
Individuals	246,276	248,493	218,978
Miscellaneous lending institutions	420,438	430,892	248,454
Total	$2,147,578	$2,155,543	$1,548,645
NEW YORK STOCK EXCHANGE—As of Dec. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,429,218	$2,242,137	$1,696,463
Credit extended to customers	41,459	39,785	31,019
Cash on hand and in banks in U. S.	346,640	338,521	381,172
Total of customers' free credit balances	1,018,933	972,323	712,792
Market value of listed shares	169,148,544	160,985,783	117,257,208
Market value of listed bonds	106,517,242	109,139,204	99,827,875
Received at mills (tons)	487,653	1,141,803	809,972
Member borrowings on U. S. Govt. issues	168,629	165,563	233,342
Member borrowings on other collateral	1,748,259	1,532,373	1,228,080
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of December (000's omitted):			
Exports	$1,189,000	$1,219,000	$1,137,000
Imports	949,000	847,000	907,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colbourne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

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Utility Financing And Atomic Power

in 1950 into studies to determine its actual possibilities. We realized it was a power problem. The electricity produced by this new fuel must be transmitted over our existing power networks and distribution systems the same as electricity made from conventional fuel. There are presently 33 firms associated with us in the field of developing atomic power under the leadership of our company's President, Mr. Walter L. Cisler. The organization is called Atomic Power Development Associates (APDA). There are 55 persons working for the group full time with the objective of the development of a nuclear reactor for the generation of power that can compete commercially with the conventional fuel-fired boilers now used.

Project work undertaken during 1954 cost about $2,000,000. Detroit Edison's part in the work cost $320,000. For 1955 the effort will be further increased and the project budget totals $3,800,000. The directors of Detroit Edison have budgeted $750,000 for 1955 to cover our share. Substantial amounts will be spent in providing a test facility in which many of the components of the reactor under development can be built and tested.

Power Reactor Development

I do not believe you expect a Controller to contribute much knowledge as to the technical aspects of our studies. I do know that the reactor we are developing is a breeder reactor which produces more fissionable material than it consumes. We have a by-product to share the cost. This type is important to you as financial analysts because it is more advanced, more difficult to engineer, and takes a larger investment.

The following information along this line is strictly cribbed from a recent paper on this subject by our President, Mr. Cisler:

"The project in which The Detroit Edison Company and its associates are engaged is directed primarily toward the development of a large liquid metal cooled fast neutron breeder reactor with an integrated fuel element and blanket reprocessing and fabrication system. This type was chosen because of our belief (1) that a reactor which produces both heat and fissionable material has the greatest possibility of being economically justified, and (2) that an atomic power industry should be capable of supplying its own fissionable material requirements. The integrated reprocessing and fabrication systems are required to make such a reactor practical.

"While we have recognized that the technical problems involved in a fast breeder reactor may be more difficult than some other types of reactors, we have felt that it is more desirable to devote our effort to the longer range development.

"The nuclear physics of a breeder reactor are well understood, and the principle of breeding has been demonstrated by the Experimental Breeder Reactor, EBR—at Arco, Idaho. This, as is well known, is a small unit—only 250 kw. of electricity—and is intended primarily for experimentation.

"Our research and development work involves the design of a large reactor with a capacity of about 500 mw. of heat. Work is under way on the fuel elements, coolant system, control system, heat cycles, and other similar factors, which are needed in a practical steam producing installation. The atomic power plant which we conceive would have a capacity of 100-150 mw. electricity."

AEC Invitation for Proposals

The AEC early in January requested that private industry undertake large development reactor projects. Its announcement laid down more definite ground rules for procedure. Proposals for Commission cooperation may be submitted up to April 1, 1955. Their announcement also established prices at which domestic licensees must pay the Commission for the lease of atomic fuels. Perhaps even more important to our project the AEC fixed the price that it will pay licensees for special nuclear material, such as plutonium, produced in the course of the operation of reactors. All prices will be guaranteed during a seven-year period beginning July 1, 1955, save for adjustment on the basis of changes in the BLS index of prices.

For the first time we will know what our atomic fuel costs will be. It is my understanding that the Associates are not committed to the government to file for an application. The deadline is April 1. The only announcement I can make at this time is in the form of a terrible pun to be found in the initials of our association "APDA"—Atomic Power Development Association.

Organization of Atomic Power Development Associates

I believe you all realize the huge problems of organizing and managing a group such as the Atomic Power Development Associates. Perhaps the best way to tell you something of its organization and the scope of its day-to-day problems is to present a table of organization.

Table of Organization Atomic Power Development Associates

Management and Executive Committees (Membership in these groups are executives from participating companies): Legal Committee; Economic Committee; Finance Committee; Technical Committee; Public Information Committee.

Project Manager, Director and Assistants (Full-time Staff): Advance Reactor Design Committee; Physics Group; Fuel Element Group; Blanket Group; Mechanical Design Group; Materials Group; Fuel Separations Group; Nuclear Instrumentation and Plant Control Group; Mechanical Handling Group; Site and Safety Group; Liquid Metal and Steam Power System Group; Economics Group; Test Facility Group; Administration Group.

Conclusion

Atomic Power Will Be a Boon to Present and Future Utility Securities

A general appraisal of the outlook for electric utility securities as effect by developments in the atomic field points to considerable optimism and safety of investment. If atomic energy does not prove a boon to the industry the only loss will be the cost of research, development and other expenses all of which are relatively minor in comparison with the resources of the interested corporations.

The factors that engender optimism as to atomic power are:

(1) Little or no obsolescence—Rapid growth of industry obviates this event.

(2) Area of change is limited to boiler plant and fuel—At best only 8% (Boiler Plant Equipment) of total assets could be replaced. Today, fuel represents only 13% of total revenues.

(3) "Sunk" costs are important—Existing plant has an advantage in that a change-over would only be feasible if the *variable* costs of the conventional fuel plant exceed the *total* costs of the nuclear plant. Fixed charges must still be paid on the old plant.

(4) The Regulatory Commission's attitude has been favorable. The National Association of Railway and Utility Commissioners are actively following developments; some Commissions have issued orders, allowing atomic research and development expenses to be charged operating expenses; regulatory precedent should allay any fears as to the ability of most utilities to recover from customers any large write-offs of property occasioned by the introduction of nuclear power.

(5) Utilization of energy bottlenecks are important — Atomic energy is a heat energy and if it ever did become adaptable to individual premises there would be many hurdles. It would still have to be converted to electricity. Electricity is popular because it is a convenient form of energy which can be distributed around the house or factory over a small copper wire. Today's customer uses 60% of his total requirements for lighting and motors as distinguished from heat applications. In industry only 14% of the total energy is used for comfort and process heat.

(6) Utility managements are alert to possibilities of atomic power—Aside from "APDA" there are numerous other groups working on this same problem, each being an advocate of different type reactor designs.

The great electric utilities of today have been built on research and private initiative. In this new medium of production the investor can be assured that his investment will not be wiped out overnight by obsolescence and even greater opportunities will be presented him to rapidly increase his profitable holdings in a situation with which he is already familiar.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Allied Van Lines Terminal Co., Broadview, Ill.
Feb. 2 (letter of notification) $250,000 of 3% subordinated debentures due June 1, 1980. **Price**—At par. **Proceeds**—For completion of terminals and acquisition of land. **Office**—25th and Roosevelt Road, Broadview, Ill. **Underwriter**—None.

Amcrete Corp., Briarcliff, N. Y.
Dec. 6 (letter of notification) 7,500 shares of 6% participating preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—Distributor of prefabricated concrete wall panels and buttresses made of steel reinforced dense concrete, etc. **Underwriter**—None.

American Beauty Homes, Inc., Houston, Tex.
Jan. 20 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For prefabrication and assembly of homes. **Office**—10509 South Main St., Houston, Tex. **Underwriters** — Hunter Securities Corp., New York, and Continental Securities Corp., Houston, Tex.

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 Scientific, Inc.
Feb. 2 (letter of notification) 50,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay current indebtedness and for working capital. **Business**—To manufacture and sell scientific products, equipment and apparatus. **Office**—67 Wall St., New York, N. Y. **Underwriter** — McCoy & Willard, Boston, Mass.

American Service Publishing Co., Inc.
Jan. 11 (letter of notification) 50,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—400 Walker Bldg., Washington, D. C. **Underwriter**—Theodore T. Ludlum & Associates, Ltd., Washington, D. C.

★ American Uranium Exploitation Corp.
Jan. 31 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—17 Academy St., Newark, N. J. **Underwriter**—Richard & Co., same city.

● American Water Works Co., Inc.
Jan. 13 filed 540,894 shares of common stock (par $5) being offered for subscription by comon stockholders at the rate of one new share for each five shares held as of Feb. 8; rights to expire Feb. 23 (Northeastern Water Co., owner of 1,625,000 of the 2,704,472 outstanding shares) will subscribe for 325,000 of the new shares. **Price**—$9.50 per share. **Proceeds**—To repay bank loans and for additional investments in subsidiaries. **Underwriters**—W. C. Langley & Co. and The First Boston Corp., both of New York.

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.

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 Goldconda Metals, Inc. (2/14-18)
Dec. 7 (letter of notification) 292,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office** — Kingman, Ariz. **Underwriter**—Baruch Brothers & Co., Inc., New York.

★ Atlantic City Electric Co.
Feb. 4 filed $10,000,000 of first mortgage bonds due March 1, 1985. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.; Blair & Co. Incorporated; The First Boston Corp. and Drexel & Co. (jointly); Lehman Brothers; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 11 a.m. (EST) on March 9.

Audio & Video Products Corp.
Jan. 17 (letter of notification) 450,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—To reduce accounts payable, to maufacture new tape recording machine, and for working capital. **Office**—730 Fifth Ave., New York, N. Y. **Underwriter** — Townsend Graff & Co., same city.

Automatic Canteen Co. of America
Dec. 28 filed 97,481 shares of common stock (par $5) being offered for subscription by stockholders of record Jan. 27, 1955 on the basis of one new share for each six shares held; rights to expire on Feb. 14. **Price**—$17 per share. **Proceeds**—Together with other funds, to purchase 262,500 shares of common stock of the Rowe Corp. **Underwriter**—Glore, Forgan & Co., New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

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.

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.

★ **Bingham-Herbrand Corp., Fremont, Ohio**
Feb. 2 (letter of notification) 3,000 shares of common stock (par $1). **Price**—At the market (estimated at $10 per share). **Proceeds**—To selling stockholder. **Underwriter**—Wm. J. Mericka & Co., Inc., Cleveland, Ohio.

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.

● **British Western America Uranium Corp. (2/16)**
Jan. 13 (letter of notification) 298,400 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Office**—C. A. Johnson Bldg., Denver, Colo. **Underwriter**—S. D. Fuller & Co. and Vermilyea Brothers, both of New York.

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. **Offering**—May be effected in March and registration statement may be amended.

★ **Calumet & Hecla, Inc. (3/1)**
Feb. 7 filed 50,000 shares of $4.75 cumulative preferred stock, series A (no par). **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—White, Weld & Co., New York.

Canadian Petrofina, Ltd.
Dec. 20 filed 1,751,428 shares of non-cumulative participating preferred stock (par $10—Canadian) being 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 and will expire on Feb. 28, unless extended. **Underwriter**—None. Statement effective Jan. 21.

Carnotite Development Corp.
Oct. 26 (letter of notification) 16,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—317 Main St., Grand Junction, Colo. **Underwriter**—Western Securities Corp., Salt Lake City, Utah.

● **Carolina Power & Light Co. (2/24)**
Feb. 2 filed 50,000 shares of cumulative serial preferred stock (no par) and 505,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—From sale of shares, together with other funds, for additions and improvements to property. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York, and R. S. Dickson & Co., Inc., Charlotte, N. C.

Central Electric & Gas Co. (2/17)
Jan. 28 filed $1,500,000 convertible subordinated debentures due Feb. 15, 1970. **Price** — At 100% of principal amount. **Proceeds** — For construction program. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Central Eureka Corp., San Jose, Calif.
Jan. 18 (letter of notification) $300,000 of 5% convertible debentures due Feb. 1, 1965. **Price**—At par (denominations of $500 each). **Proceeds**—For acquisition of additional properties and for working capital. **Office**—Berryessa Road, San Jose, Calif. **Underwriter**—Shaw, Hooker & Co., San Francisco, Calif.

Central & South West Corp. (3/1)
Feb. 2 filed 600,000 shares of common stock (par $5). **Proceeds**—To repay bank loans and loan from insurance company, and to purchase common shares of subsidiaries. **Underwriter**—To 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). **Bids**—To be received up to 10:30 a.m. (CST) on March 1 at 20 No. Wacker Drive, Chicago 6, Ill.

● **Chesapeake & Colorado Uranium Corp. (2/23)**
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.

Circle Air Industries, Inc.
Nov. 29 (letter of notification) 299,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds** — For machinery and equipment and working capital. **Name Change**—Company was formerly known as Paley Manufacturing Corp. **Office**—244 Herkimer Street, Brooklyn, N. Y. **Underwriter**—Allen E. Beers Co., Philadelphia, Pa.

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 are 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. Offer expires Feb. 21. **Price**—At par and accrued interest. **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.

Consolidated Credit Corp., Charlotte, N. C.
Oct. 25 (letter of notification) $100,000 of 20-year 6% subordinate sinking fund notes and 100 ten-year warrants to purchase 20 shares of common stock to be sold in units of a $1,000 note and one warrant. **Price**—$1,000 per unit (each warrant is exercisable at $10 per share.) **Proceeds** — To repay bank loan. **Office** — 221½ West Trade St., Charlotte, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Consol. Edison Co. of New York, Inc.
April 7, 1954, filed $50,000,000 first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consolidated Fenimore Iron Mines Ltd.
Jan. 24 filed 204,586 shares of common stock (par $7), to be offered for subscription by common stockholders of record Feb. 7, 1955 at the rate of one new share for each five shares held. **Price**—$2.20 per share. **Proceeds**—From sale of this stock, plus $440,000 to be available from sale of 200,000 shares to Alator Corp. Ltd. and Yam Securities Ltd., and $175,000 treasury funds, to be used to pay for geological surveys and metallurgical research, for drilling expenses and other general corporate purposes. **Office**—Toronto, Canada. **Underwriter**—None.

● **Consolidated Sudbury Basin Mines, Ltd., Toronto, Canada**
Jan. 31 filed 3,000,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of properties. **Underwriter**—Stock to be sold on Toronto Stock Exchange or through underwriters or selected dealers in United States.

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.

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.

★ **Continental Baking Co. (2/24)**
Feb. 3 filed $13,000,000 of 25-year subordinated debentures due March 1, 1980 (convertible into common stock on or before Feb. 28, 1965). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to redeem at $105 per share 125,575 of the 253,575 outstanding shares of $5.50 cumulative preferred stock. **Underwriters**—Wertheim & Co. and Lehman Brothers, both of New York.

★ **Continental Electric Equipment Co.**
Jan. 28 (letter of notification) 8,645 shares of common stock (no par) to be offered for subscription by stockholders of record March 1, 1955 on the basis of one new share for each five shares held; rights to expire on April 15. **Price** — $18.75 per share. **Proceeds** — For working capital. **Office** — 1 Green Hills Place, Cincinnati, O. **Underwriter**—None.

Continental Loan Co., Dallas, Tex.
Dec. 22 (letter of notification) $150,000 of 4% 10-year debentures and 42,000 shares of common stock (par 10 cents) to be offered in units of $1,000 of debentures and 200 shares of stock; remaining 12,000 shares to be purchased by underwriter. **Price**—$1,400 per unit; and $2 per common share. **Proceeds**—To buy common stock of Budget and Mutual and for working capital. **Office**—815 Fidelity Union Life Bldg., Dallas, Tex. **Underwriter**—Securities Management Corp., same address.

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NEW ISSUE CALENDAR

February 14 (Monday)

Arizona Goldconda Metals, Inc.__________Common
(Baruch Brothers & Co., Inc.) $292,000

Dallas Power & Light Co.__________Debentures
(Bids noon EST) $7,000,000

Gatling Mining & Development Co., Inc.__Preferred
(Offering by company—no underwriting) $300,000

General Homes, Inc.__________Common
(S. D. Fuller & Co.) $1,500,000

Misosuri Research Laboratories, Inc.__Debentures
(P. W. Brooks & Co., Inc.) $300,000

New Canaan Co.__________Class A & Class B
(Glidden, Morris & Co.) $99,940

Pittston Co.__________Common
(Allen & Co. and Reynolds & Co.) 285,000 shares

Stewart Uranium Drilling Co., Inc.__________Class A
(General Investing Corp.) $250,000

February 15 (Tuesday)

Kansas City Power & Light Co.__________Bonds
(Bids 11 a.m. EST) $16,000,000

February 16 (Wednesday)

British Western America Uranium Corp.__Common
(S. D. Fuller & Co. and Vermilyea Brothers) $298,400

Sodak Uranium & Mining Co., Inc.__________Common
(Capper & Co.) $300,000

February 17 (Thursday)

Central Electric & Gas Co.__________Debentures
(Stone & Webster Securities Corp.) $1,500,000

February 21 (Monday)

Plastics Molded Arts Corp.__________Common
(Milton D. Blauner & Co., Inc.; Hallowell, Sulzberger & Co.; and Baruch Brothers & Co., Inc.) $300,000

February 23 (Wednesday)

Chesapeake & Colorado Uranium Corp.__Common
(Peter Morgan & Co.) $750,000

Texas Electric Service Co.__________Bonds
(Bids 11:30 a.m. EST) $17,000,000

United States Ceramic Tile Co.__________Common
(Granbery, Marache & Co.) 70,000 shares

February 24 (Thursday)

Carolina Power & Light Co.__Preferred & Common
(Merrill Lynch, Pierce, Fenner & Beane and R. S. Dickson & Co., Inc.) 50,000 pfd. shs. and 505,000 common shs.

Continental Baking Co.__________Debentures
(Wertheim & Co. and Lehman Brothers) $13,000,000

First Bank Stock Corp.__________Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.) 361,922 shares

Maryland Casualty Co.__________Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 296,050 shares

Rochester Gas & Electric Corp.__________Bonds
(Bids 11 a.m. EST) $10,000,000

Sheraton Corp. of America__________Debentures
(Paine, Webber, Jackson & Curtis; Lehman Brothers; Hemphill, Noyes & Co.; and Hamlin & Lunt) $10,000,000

South Carolina Electric & Gas Co.__________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 210,053 shares

South Georgia Natural Gas Co.__________Common
(Shields & Co.) 157,500 shares

March 1 (Tuesday)

Calumet & Hecla, Inc.__________Preferred
(White, Weld & Co.) 50,000 shares

Central & South West Corp.__________Common
(Bids 10:30 a.m. CST) 600,000 shares

New England Telephone & Telegraph Co.__Common
(Offering to stockholders—no underwriting) 511,205 shares

Reliance Electric & Engineering Co.__________Common
(Blyth & Co., Inc.) 500,000 shares

March 2 (Wednesday)

May Department Stores Co.__________Debentures
(Goldman, Sachs & Co. and Lehman Brothers) $25,000,000

Pacific Gas & Electric Co.__________Bonds
(Bids to be invited) $50,000,000

March 7 (Monday)

Atlantic Steel Co.__________Common
(Courts & Co.) 200,000 shares

March 15 (Tuesday)

Kansas Gas & Electric Co.__________Bonds
(Bids to be invited) $10,000,000

Kansas Gas & Electric Co.__________Preferred
(Bids to be invited) $6,000,000

March 16 (Wednesday)

Bishop Oil Co.__________Common
(Offering to stockholders—to be underwritten) 153,236 shares

Trav-Ler Radio Corp.__________Debentures
(Straus, Blosser & McDowell) about $1,500,000

April 15 (Friday)

Westpan Hydrocarbon Co.__________Common
(May be Union Securities Corp.) 384,861 shares

May 10 (Tuesday)

Georgia Power Co.__________Bonds
(Bids 11 a.m. EST) $12,000,000

May 31 (Tuesday)

Alabama Power Co.__________Bonds
(Bids 11 a.m. EST) $15,000,000

November 9 (Wednesday)

Southern Co.__________Common
(Bids to be invited) 500,000 shares

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★ CorpAmerica, Inc., Wilmington, Del.
Feb. 2 (letter of notification) 2,272 shares of non-voting class A common stock. **Price**—$22 per share. **Proceeds**—For general corporate purposes. **Office** — 1901 West 4th St., Wilmington, Del., **Underwriter**—None.

★ Corporate Leaders of America, Inc., New York
Feb. 2 filed $25,000,000 of Corporate Leaders Trust Fund Periodic Payment Series "B" Certificates and 1,014,375 participations; and $1,500,000 Corporate Leaders Trust Fund Single Payment Series "B" Certificates and 65,040 participations.

Cuba (Republic of)
Jan. 7 filed $2,500,000 of Veterans, Courts and Public Works 4% bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co., which received the bonds in payment for work preformed for the Republic or one of more of its agencies. **Underwriters**—To be named by amendment.

Dallas Power & Light Co. (2/14)
Jan. 14 filed $7,000,000 of sinking fund 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. **Bids**—To be received up to noon (EST) on Feb. 14 at Room 2033, No. 2 Rector St., New York 6, N. Y.

★ Deer Trail Mines, Marysvale, Utah
Feb. 2 (letter of notification) 150,000 shares of common stock. **Price**—At par (30 cents per share). **Proceeds**—For mining expenses. **Underwriter**—None.

Desert Queen Uranium Co., Salt Lake City, Utah
Jan. 26 (letter of notification) 259,500 shares of common stock (par two cents). **Price**—$1 per share. **Proceeds**—for mining operations. **Office**—506 Judge Building, Salt Lake City, Utah. **Underwriter** — Selected Securities Ltd., Los Vegas, Nev.

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.

Diamond Uranium Corp., Moab, Utah
Jan. 20 (letter of notification) 3,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—M. I. C. Bldg., Moab, Utah. **Underwriter**—Security Uranium Service, Inc., K. O. V. O. Bldg., P. O. Box 77, Provo, Utah.

East Tennessee Water Corp.
Dec. 20 (letter of notification) $160,000 of first mortgage 6% bonds dated Dec. 1, 1954. **Price** — At par (in denominations of $1,000 each). **Proceeds**—For purchase of real estate, capital improvements and contingencies. **Office**—306 E. Main St., Johnson City, Tenn. **Underwriter**—D. T. McKee Investment Co., Box 904, Bristol, Va.

East Texas Loan & Investment Co.
Jan. 20 (letter of notification) 25,000 shares of common stock (no par). **Price** — $10 per share. **Proceeds**—For working capital. **Office**—203 East Cotton St., Longview, Tex. **Underwriter**—D. G. Carter Investment Co., same address.

El Morocco Enterprises, Inc., Las Vegas, Nev.
Dec. 29 filed $6,000,000 of 8% sinking fund debenture bonds due July 1, 1967, and 1,950,000 shares of common stock (par 10 cents), each purchaser of bonds to have the right to purchase common stock at par at rate of 10 shares for each $100 of bonds up to $9,900 of debenture bonds purchased, with amount of shares increasing in proportion to amount of bonds purchased. **Price**—100% of principal amount for bonds. **Proceeds**—To pay balance of purchase price of Las Vegas Hotel, Inc. capital stock, construction of main hotel building, pavilions, swimming pool, furnishings, etc. **Underwriter**—Company may sell debenture bonds and common stock to dealers through brokers.

Electronics Co. of Ireland
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

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.

Farm & Home Loan & Discount Co.
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. **Office**—Phoenix, Ariz. **Underwriter**—None.

Financial Credit Corp., New York
Jan. 29, 1954 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds** — For working caiptal. **Underwriter** — E. J. Fountain & Co., Inc., New York.

★ First Bank Stock Corp., Minneapolis, Minn. (2/24)
Feb. 4 filed 361,922 shares of capital stock (par $10) to be offered for subscription by stockholders of record Feb. 24, 1955 at the rate of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds**—For investments in stocks of banking affiliates. **Underwriter** — Blyth & Co., Inc., New York, and San Francisco.

★ First Investors Corp., New York
Feb. 2 filed (by amendment) $6,000,000 additional in Periodic Payment Plans (DM and DMM) and Single Payment Plans (DMP).

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.

Frio Frozen Foods, Inc., Anthony, Texas
Jan. 25 (letter of notification) 20,000 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For construction of plant and refrigeration. **Address**—Box 306, Anthony, Tex. **Underwriter**—Norman D. Patterson, Jr., El Paso, Tex.

Frontier Uranium Co., Ogden, Utah
Jan. 27 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Office**—First State Bank Building, Ogden, Utah. **Underwriter**—Coombs & Co. of Ogden, same city.

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.

Gatling Mining & Development Co., Inc. (2/14)
Jan. 28 (letter of notification) 1,200,000 shares of preferred stock. **Price**—At par (25 cents per share). **Proceeds**—For drilling expenses and working capital. **Office**—79 Main St., South River, N. J. **Underwriter**—None.

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. (2/14)
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. **Office**—Huntington Station, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

● General Motors Corp., Detroit, Mich.
Jan. 20 filed 4,380,683 shares of common stock (par $5) being offered for subscription by common stockholders of record Feb. 8 at the rate of one new share for each 20 shares held; rights to expire on March 7. **Price**—$75 per share. **Proceeds** — For capital expenditures and working capital **Subscription Agents**—J. P. Morgan & Co. Incorporated, New York, N. Y.; National Bank of Detroit, Detroit, Mich.; Continental Illinois National Bank & Trust Co., Chicago, Ill.; and Bank of America N. T. & S. A., San Francisco and Los Angeles, Calif. **Underwriter**—Morgan Stanley & Co., New York.

● G. M. Shares, Inc., Detroit, Mich.
Jan 20 filed 52,356 shares of class A stock (par $1), 11,106 shares of class B stock (par $1) and 786 shares of comon stock (par $1) being offered for subscription by holders of the respective shares at the rate of one new share for each 20 shares of such stock held as of record Feb. 8; rights to expire on March 1. **Prices**—For class A and B stock, $150 per share; and for class C stock, $134.06 per share. **Proceeds**—To purchase common stock of General Motors Corp. through the exercise of rights received from that company. At Dec. 31, 1954, G. M. Shares, Inc. owned 2,577,160 shares of General Motors common.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

General Uranium Corp., Salt Lake City, Utah
Oct. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development and exploration expenses. **Office**—404 Boston Building, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Globe Metallurgical Corp.
Jan. 18 filed 147,500 shares of common stock (par $5), of which 30,000 shares are to be offered to a group composed largely of stockholders of Globe Iron Co, the parent, and 117,500 shares are to be offered to public. **Price** — $10 per share. **Proceeds** — For capital improvements and working capital. **Office**—Beverly, Ohio. **Underwriter**—McDonald & Co., Cleveland, Ohio.

★ Granco Products, Inc. (N. Y.)
Feb. 4 (letter of notification) 120,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—For machinery and equipment, further development and research, and working capital. **Business**—Electronic, electrical and electro-mechaniacl products. **Office**—c/o Henry Fogel, President, 36-17 20th Ave., Long Island City, N. Y. **Underwriter**—John R. Boland & Co., Inc., New York.

★ Gray Manufacturing Co., Hartford, Conn.
Feb. 1 (letter of notification) 2,700 shares of capital stock (par $1) to be sold to certain key employees pursuant to stock options, who may reoffer at market. **Price**—At market (estimated at $15 per share). **Proceeds**—For working capital. **Office** — 16 Arbor St., Hartford, Conn. **Underwriter**—None.

Gulf States Utilities Co.
May 14, 1954 filed 160,800 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, 1954 filed $24,000,00 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.

★ Gypsy Queen Mining Co.
Jan. 27 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Deer Lodge, Powell County, Mont. **Underwriter**—None.

● Harvard Brewing Co., Lowell, Mass.
Feb. 1 filed 345,760 shares of common stock (par $1), which the Attorney General, as successor to the Alien Property Custodian, is the owner and proposes to offer at competitive bidding. If any such bid is accepted, and if the successful bidder plans to distribute the shares, the company will file post-effective amendments to supply the requisite additional information. There are 625,000 shares outstanding. **Offering**—Date expected to be set later in February.

Highland Uranium, Inc., Casper, Wyo.
Dec. 13 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—208 Turner-Cottman Bldg., Casper, Wyo. **Underwriter** — Casper Brokerage Co., Inc., Henning Hotel Bldg., Casper, Wyo.

Hilton Hotels Corp., Chicago, Ill.
Dec. 23 filed $7,978,900 of 4½% 15-year convertible debentures, due Jan. 1, 1970, and $31,915,600 of 4¾% 15-year debentures due Jan. 1, 1970, being offered to certain holders and former holders of common stock of Hotels Statler Co., Inc. on the basis of $10 principal amount of convertible debentures and $40 principal amount of non-convertible debentures for each common share held. The offering will expire on Feb. 14. **Price**—at 100% of principal amount (in denominations of $100 and multiples thereof). **Proceeds**—To repay bank loan and for working capital. **Underwriter**—None. The Marine Midland Trust Co. of New York, 120 Broadway, New York, is warrant agent.

★ Hodgson Houses, Inc., Dover, Del.
Feb. 1 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$3.25 per share. **Proceeds**—To reduce notes, complete manufacturing facilities and for working capital. **Underwriter** — Draper, Sears & Co., Boston, Mass.

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.

Jarmon Properties & Oil Development Corp.
Jan. 17 (letter of notification) 30,000 shares of captal stock. **Price**—At par ($10 per share). **Proceeds**—For further exploration and development. **Addres**—P. O. Box 1109, Wichita Falls, Tex. **Underwriter**—John A. Aicholtz & Associates, 505 Macon St., Fort Worth, Tex., and another.

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.

Kansas City Power & Light Co. (2/15)
Jan. 19 filed $16,000,000 of first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for new con-

struction. **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 up to 11 a.m. (EST) at 20 Exchange place, New York, N. Y.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith, Inc., same city.

● **Lehman Corp., New York**
Jan. 20 filed 420,623 shares of capital stock (par $1) being ofered for subscription by stockholders of record Feb. 8 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Feb. 23. **Price**—$43.25 per share. **Proceeds**—For investment. **Underwriter**—None.

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.

Lucky Strike Uranium Corp.
Jan. 4 (letter of notification) 4,300,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—38 South Main St., Salt Lake City, Utah. **Underwriter**—Seaboard Securities Corp., Washington, D. C.

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.

★ **Marble Canyon Uranium, Inc.**
Feb. 4 (letter of notification) 20,900,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—587 — 11th Ave., Salt Lake City, Utah. **Underwriter**—Potter Investment Co., same city.

★ **Maryland Casualty Co., Baltimore, Md. (2/24)**
Feb. 3 filed 296,050 shares of common stock (par $1) to be offered for subscription by common stockholders of record Feb. 24 on the basis of one new share for each six shares held; rights to expire March 10. **Price**—To be supplied by amendment. **Proceeds** — To retire 213,748 shares of $2.10 preferred stock at $52.50 per share; and for working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane.

★ **Massachusetts Investors Trust (Boston, Mass.)**
Feb. 3 filed 2,241,800 shares of beneficial interest on the Trust. **Price**—At market. **Proceeds**—For investment.

★ **May Department Stores Co. (3/2-3)**
Feb. 9 filed $25,000,000 of sinking fund debentures due March 1, 1980. **Price** — To be supplied by amendment. **Proceeds** — For working capital and for current and future expansion projects. **Underwriters** — Goldman, Sachs & Co. and Lehman Brothers, both of New York.

★ **McCormick & Co., Inc., Baltimore, Md.**
Feb. 2 (letter of notification) 1,666 shares of non-voting common stock (no par). **Price**—At market (estimated at $30 per share). **Proceeds**—For working capital. **Office**—414 Light St., Baltimore 2, Md. **Underwriter**—None.

● **Merritt-Chapman & Scott Corp.**
Dec. 21 filed 3,018,567 shares of common stock (par $12.50) being 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. on the following basis: 675,549 shares to holders of the 540,439 outstanding shares of common stock (par $5) of Tennessee Products & Chemical Corp., at the rate of 1¼ shares for each share of common stock of Tennessee; 755,105 shares to holders of the 453,063 outstanding shares of class A stock (par $2) of Devoe & Raynolds Co., Inc. at the rate of 1⅔ shares for each share of class A stock of Devoe; 242,700 shares to holders of the 182,025 outstanding shares of class B common stock (par $1) of Devoe, at the rate of 1⅓ shares for each of class B common stock of Devoe; 1,290,252 shares to holders of the 1,290,252 outstanding shares of common stock (par $1) of New York Shipbuilding Corp., at the rate of one share for each share of common stock of N. Y. Shipbuilding; 27,907 shares to holders of the 58,605 outstanding shares of common stock (par $1) of Newport Steel Corp., not owned by Merritt, at the rate of one share for each 2.1 shares of common stock of Newport; 26,114 shares to holders of the 17,409 outstanding shares of common stock (par $10) of Marion Power Shovel Co., not owned by Merritt, at the rate of 1½ shares for each share of common stock of Marion; and 940 shares to holders of the 1,410 outstanding shares of class B common stock (without par value) of the Osgood Co., not owned by Merritt or Marion, at the rate of one share for each 1½ shares of class B common stock of Osgood. Offer will expire on Feb. 28. **Dealer-Manager**—A. C. Allyn & Co., Inc. for Devoe & Raynolds exchange.

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.

Micro-Moisture Controls, Inc.
Jan. 13 (letter of notification) $250,000 of 6⅝% income convertible debentures (subordinated) due Feb. 1, 1965, to be offered initially to stockholders. **Price**—100% of par (in units of $100 or multiples thereof). **Proceeds**—For working capital, etc. **Office**—22 Jericho Turnpike, Mineola, N. Y. **Underwriter**—None.

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.

Missouri Uranium Corp., Kansas City, Mo.
Jan. 24 filed 150,000 shares of preferred stock (par $5) and 150,000 shares of common stock (no par) to be offered in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For exploration and development, etc. **Underwriter**—Dale E. Klepinger & Associates, 203 W. Dartmouth, Kansas City, Mo.

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.

Montezuma Uranium, Inc., Denver, Colo.
Jan. 5 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development operations. **Office**—Ernest and Cranmer Bldg., Denver, Colo. **Underwriter**—Investment Service Co., same city.

★ **Mother Lode Uranium Co.**
Jan. 28 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (two cents per share). **Proceeds**—For mining operations. **Office**—470 South 13th East, Salt Lake City, Utah. **Underwriter**—M. C. Leonard and Associates, 602 Tribune Bldg., Salt Lake City, Utah.

★ **Mountain States Uranium Corp.**
Feb. 4 (letter of notification) 182,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining oxpenses. **Office**—113 West Broadway, Farmington, N. M. **Underwriter**—None.

★ **National Weekly, Inc.**
Feb. 1 (letter of notification) $232,000 4% 10-year debentures and 58,000 shares of common stock to be offered in units of an $80 debenture and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—For working capital. **Business**—To form a national magazine. **Office**—c/o Edward J. Brady, Secretary, 60 East 42nd St., New York 17, N. Y. **Underwriter**—None.

● **New Canaan Co., Greenwich, Conn. (2/14-18)**
Jan. 27 (letter of notification) 4,208 shares of class A stock (no par) and 1,052 shares of class B stock (no par) to be offered in units of four class A shares and one class B share. **Price**—$95 per unit. **Proceeds**—To A. L. Glidden, the selling stockholder. **Address** — Box 1069, Greenwich, Conn. **Underwriter**—Glidden, Morris & Co., New York.

★ **New England Telephone & Telegraph Co. (3/1)**
Feb. 4 filed 511,205 shares of capital stock to be offered for subscription by stockholders of record March 1, 1955 at the rate of one new share for each five shares held. **Price** — At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, which owns 1,769,035 shares (69.21%) of the outstanding stock. **Underwriter**—None.

New Pacific Coal & Oils, Ltd., Toronto, Canada
Dec. 28 (regulation "D") 275,000 shares of common stock (no par), of which 120,000 shares are to be offered in Canada and 155,000 shares in the United States. **Price**—55 cents per share. **Proceeds** — To selling stockholders. **Underwriter**—L. D. Friedman & Co., New York.

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) being 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. Offer will expire on Feb. 15, unless extended. As of Jan. 26, a total of 312,350 shares (83.3%) of Highway common stock have been deposited for exchange.

Nipissing Mines Co. Ltd., Toronto, Canada
Jan. 3 filed 1,200,000 shares of common stock (par $1—Canadian) being offered as "speculative" securities for subscription by common stockholders of record Jan. 26, 1955, on a share-for-share basis; rights will expire on Feb. 28. **Price**—$2 (Canadian) and $2.06 (U. S.) per share. **Proceeds**—For payment of options, development of properties, and for machinery and equipment. **Underwriters**—Allan H. Investments, Ltd.; Alator Corp., Ltd.; Louis A. Chesler; and Bradley Streit; all of Toronto, Canada.

★ **North American Television Productions, Inc.**
Feb. 3 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For production of films, working capital, etc. **Business**—Production and distribution of motion pictures for television, theatrical, and non-theatrical exhibitions. **Office**—222 East 46th St., New York, N. Y. **Underwriters**—Milton D. Blauner & Co., Inc. and Baruch Brothers & Co., Inc., both of New York.

Olympic Development Co., Stamford, Conn.
Jan. 13 (letter of notification) 29,698 shares of common stock to be offered for subscription by stockholders at rate of one new share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To retire short-term notes and for working capital. **Office** — 30 Commerce St., Stamford, Conn. **Underwriter**—None.

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.

Petroleum Reserves, Inc., New York
Dec. 27 filed $7,500,000 of 4% debentures due 1970, 100,000 shares of 5% preferred stock (par $25) and 1,000,000 shares of common stock (par 10 cents) to be offered in units of $75 principal amount of debentures, one share of preferred stock and 10 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of properties. **Underwriter**—William A. M. Burden & Co., New York.

Phaostron Co., South Pasadena, Calif.
Jan. 19 filed 90,000 shares of common stock (par $1), of which 50,000 shares are for the account of the company and 40,000 shares for account of selling stockholders. **Price**—$6 per share. **Proceeds** — To reduce bank loans and for working capital. **Business**—Manufacturer of electric panel meters, electric test instruments, precision resistors, aircraft and sensitive miniature relays, and special products. **Underwriter**—First California Co., San Francisco, Calif.

● **Pittston Co., New York (2/14-18)**
Jan. 14 filed 285,000 shares of common stock (par $1), of which 75,000 shares are to be sold by the company and 210,000 shares by the Englewood Corp. **Price**—To be suppiled by amendment. **Proceeds**—To purchase additional assets and for working capital. **Underwriter**—Allen & Co. and Reynolds & Co., both of New York.

★ **Plastics Molded Arts Corp. (2/21)**
Feb. 4 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—To acquire stock of Abell Chair & Novelty Co., Inc. and for general corporate purposes. **Business**—Manufacture of plastic products by the injection molding process. **Office**—12-01 44th Ave., Long Island City, N. Y. **Underwriters**—Milton D. Blauner & Co., Inc., New York; Hallowell, Sulzberger & Co., Philadelphia; and Baruch Brothers & Co., Inc., New York.

Porter-Cable Machine Co.
Jan. 27 (letter of notification) 24,000 shares of common stock (par $10). **Price**—$12.50 per share. **Proceeds**—For working capital, etc. **Office**—Syracuse, N. Y. **Underwriter**—George D. B. Bonbright & Co., Rochester, N. Y.

★ **Price (T. Rowe) Growth Stock Fund, Inc.**
Feb. 7 filed (amendment) 20,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—Baltimore, Md.

Public Service Electric & Gas Co.
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. **Offering** — Temporarily delayed.

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.

Rainier Telephone Co., Rainier, Wash.
Dec. 14 (letter of notification) $85,000 of 5½% 20-year sinking fund bonds due Dec. 1, 1979. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To purchase assets of Methow Valley Telephone Co., refund mortgage debt, and for working capital. **Underwriter**—Wm. P. Harper & Son & Co., Seattle, Wash.

Ranger Lake Uranium Mines, Ltd., Toronto, Canada
Dec. 30 (regulation "D") 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter**—James Anthony Securities Corp., New York.

● **Rare Earth Mining Corp. of Canada, Ltd.**
Nov. 18 amendment (Regulation "D") 242,850 shares of common stock. **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Underwriter** — James Anthony Securities Co., New York.

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★ Reliance Electric & Engineering Co. (3/1-2)
Feb. 8 filed 500,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To Reeves Pulley Co., who with its subsidiary is selling their operating assets for 80,000 shares of Reliance stock and cash. **Office** — Cleveland, Ohio. **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

★ Retail Credit Co., Atlanta, Ga.
Jan. 28 (letter of notification) 3,000 shares of common stock (no par) to be offered for subscription by selected employees. **Price**—$100 per share. **Proceeds**—For working capital. **Office**—90 Fairlie St., N.W., Atlanta, Ga. **Underwriter**—None.

Rico Argentine Mining Co.
Dec. 2 (letter of notification) 70,395 shares of common stock (par 50 cents), being offered for subscription by stockholders of record Jan. 14 on the basis of one new shares for each 12½ shares held (with an oversubscription privilege); rights to expire on Feb. 28. **Price**—$4.25 per share. **Proceeds**—Toward payment of construction of sulphuric acid plant at Rico, Colo. **Office**—132 South Main St., Salt Lake City, Utah. **Underwriter**—None, but Bonneville-On-The-Hill Co., a stockholder will subscribe for all shares not taken by other stockholders. **Subscription Agent** — Guaranty Trust Co. of New York, 140 Broadway, New York 15, N. Y.

★ Rochester Gas & Electric Corp. (2/24)
Feb. 3 filed $10,000,000 first mortgage bonds, series O, due 1985. **Proceeds**—For construction program, including the discharge of $9,200,000 short term obligations. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Stroud & Co., Inc. (jointly); Shields & Co.; Union Securities Corp., Equitable Securities Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 24.

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.

★ Rotor Tool Co., Cleveland, O.
Jan. 28 (letter of notification) 833 shares of common stock. **Price**—$60 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—26300 Lakeland Blvd., Cleveland 32, Ohio. **Underwriter**—None.

★ Rowland Products, Inc., Berlin, Conn.
Jan. 28 (letter of notification) 5,727 shares of common stock to be offered for subscription by stockholders of record Feb. 1, 1955 at the rate of one new share for each two shares held; rights to expire on March 4, 1955. **Price** —At par ($25 per share). **Proceeds** — For purchase of machinery and equipment. **Office**—Fairview Place, Berlin, Conn. **Onderwriter**—None.

★ Ruidoso Chinchilla Farms, Inc.
Jan. 31 (letter of notification) 49,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To buy chinchillas and for working capital. **Address**—P. O. Box 654, Ruidoso, N. M. **Underwriter**—None.

Salisbury Broadcasting Corp., Paxton, Mass.
Jan. 20 (letter of notification) $150,000 of 5% notes and 6,000 shares of common stock (par $1) to be offered first to stockholders in units of $1,000 of notes and 40 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office** — Asnebumskit, Paxton, Mass. **Underwriter** — Kinsley & Adams, 6 Norwich St., Worcester, Mass.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R V. Klein Co. and McGrath Securities Corp., both of New York.

San Miguel Uranium Mines, Inc.
Jan. 6 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For mining operations. **Office** — Mineral Bldg., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

★ Sheraton Corp of America (2/24)
Feb. 4 filed $10,000,000 of 4¾% convertible debentures due March 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To be used principally to reduce short term bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis; White, Weld & Co.; Lehman Brothers; Hemphill, Noyes & Co.; and Hamlin & Lunt.

★ Shumway Uranium Mining Corp.
Jan. 28 (letter of notification) 200,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—64 East 4th South St., Salt Lake City, Utah. **Underwriter**—Doxey Investment Co., same city.

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 **Proceds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter** —Western Securities Corp., Las Vegas, Nev.

Silver Reef Uranium Co., Salt Lake City, Utah
Jan. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—130 South 13th East, Salt Lake City, Utah. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

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.

● Sodak Uranium & Mining Co., Inc. (2/16)
Jan. 13 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Address**—P. O. Box 330, Edgemont, S. D. **Underwriter**—Capper & Co., New York.

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.

★ South Carolina Electric & Gas Co. (2/24)
Feb. 2 filed 210,053 shares of common stock (par $4.50) to be offered for subscription by common stockholders of record Feb. 24 on the basis of one new share for each 15 shares held (with an oversubscription privilege); rights to expire on March 10. **Price**—To be supplied by amendment. **Proceeds**—For new construction program and to furnish a portion of additional equity capital required by South Carolina Generating Co., a subsidiary. **Underwriter**—Kidder, Peabody & Co., New York.

★ South Georgia Natural Gas Co. (2/24)
Feb. 4 filed 157,500 shares of common stock (par $1). **Price** — $6 per share. **Proceeds** — Together with other funds, to construct and operate a pipe line system. **Office**—Birmingham, Ala. **Underwriter** — Shields & Co., New York.

Southeastern Public Service Co.
Jan. 24 (letter of notification) 28,000 shares of common stock (par 10 cents) to be offered in exchange for Hamilton Gas Corp. capital stock (par $1) on the basis of 3½ Southeastern shares for each Hamilton share. This offer shall terminate when offer shall have been accepted by Hamilton stockholders owning not in excess of 8,000 shares of Hamilton stock. **Office**—70 Pine St., New York 5, 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.

★ Stetson (John B.) Co., Philadelphia, Pa.
Jan. 31 (letter of notification) 12,500 shares of common stock (no par) to be offered to employees. **Price**—At 95% of fair market value (about $23.28 per share). **Proceeds**—For general corporate funds. **Office**—Fifth St. and Montgomery Ave., Philadelphia, Pa. **Underwriter** —None.

Stewart Uranium Drilling Co., Inc. (2/14-18)
Jan. 3 (letter of notification) 500,000 shares of class A stock (par one cent). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Citizens National Bank & Trust Bldg., Baytown, Texas. **Underwriter**—General Investing Corp., New York.

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.

Swedes Uranium Corp., Salt Lake City, Utah
Jan. 5 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Guss & Mednick Co., 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.

Temple Mountain Uranium Co.
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2½ cents). **Price** — 3 cents per share **Proceeds**—For exploration and development expenses **Office**—39 Exchange Place, Salt Lake City, Utah. **Underwriter**—Walter Sondrup, same city.

Texas Electric Service Co. (2/23)
Jan. 19 filed $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.

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.

Texboard, Inc., Dallas, Texas
Jan. 17 filed $1,500,000 of 6% series A debentures due serially from Feb. 1, 1957 to Aug. 1, 1961, and $1,000,000 of 6% series B convertible debentures due serially from Feb. 1, 1962 to Aug. 1, 1966. **Price**—To be supplied by amendment. **Proceeds**—To construct and operate a manufacturing plant near Orange, Tex., for the purpose of manufacturing insulation building products. **Underwriter**—Emerson Cook Co., Palm Beach, Fla.

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 Uranium Corp., Salt Lake City, Utah
Jan. 31 (letter of notification) 22,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds** For mining expenses. **Office**—2507 South State St., Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same city.

★ Tip Top Uranium & Oil, Inc., Denver, Colo.
Feb. 1 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1122 Mile High Center, Denver 2, Colo. **Underwriter**—Robert W. Wilson, 1717 East Colfax Ave., Denver, Colo.

Top Notch Uranium & Mining Corp.
Jan. 5 (letter of notification) 4,000,000 shares of common stock (par two cents). **Price** — Five cents per share. **Proceeds** — For exploration and development expenses. **Office**—94 North Main St., Smithfield, Utah. **Underwriter**—Lewellen-Bybee, Inc., 1627 K St., N. W., Washington, D. C.

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.

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 States Ceramic Tile Co. (2/23)
Jan. 31 filed 70,000 shares of common stock (par $5), of which 8,538 shares are to be offered by the company and 61,462 shares by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For working capital and general corporate purposes. **Office**—Canton, Ohio. **Underwriter** — Granbery, Marache & Co., New York.

United Uranium Corp., Denver, Colo.
Jan. 26 (letter of notification) 4,133,329 shares of common stock (par one cent), of which 2,133,329 shares are covered by an offer of rescission to 37 shareholders at three cents per share; and 2,000,000 shares are to be publicly offered at 10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—John L. Donahue, 430 16th Street, Denver 2, Colo.

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 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 Shares, Inc., Denver, Colo.
Dec. 22 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—3038 Wyandot St., Denver, Colo. **Underwriters**—Kamp & Co., Fred W. Miller & Co. and Mile High Securities Co., all of Denver, Colo.

★ Urvan Uranium & Oil, Inc., Denver, Colo.
Feb. 1 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Pro-**

ceeds—For mining expenses. **Office**—718 Symes Bldg., Denver, Colo. **Underwriter**—Not yet named.

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.

Vada Uranium Corp., Ely, Nev.
Jan. 17 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For mining expenses. **Office**—280 Aultman St., Ely, Nev. **Underwriter**—Bristol Securities Co., Fall River, Mass.

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.

Webster Uranium Mines, Ltd., Toronto, Canada
Dec. 30 (regulation "D") 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter**—James Anthony Securities Corp., 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.

Western Hills Inn, Fort Worth, Texas
Jan. 31 filed 200,000 shares of capital stock (no par). **Price**—$5 per share. **Proceeds**—Together with other funds, to construct, furnish and equip hotel to be built between Dallas and Fort Worth, Texas. **Underwriter**—Schwanz & Co., Inc., Aurora, Ill.

Westport Properties Corp., Kansas City, Mo.
Jan. 27 filed 479,158 shares of common stock (par $1) to be offered for subscription by stockholders of Chicago, Aurora & Elgin Ry. Co. at rate of one Westport share for each Chicago, Aurora & Elgin share held. **Price**—$2 per share. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—George K. Baum & Co., Kansas City, Mo.

★ White Canyon Mining Co., Dove Creek, Colo.
Feb. 4 filed 3,000,000 shares of common stock (par 33⅓ cents). **Price**—$1 per share. **Proceeds**—To repay loans and advances; for capital acquisitions; and for expenditures and working capital. **Underwriters**—Joseph McManus & Co., New York; and A. P. Kibbe & Co., Salt Lake City, Utah.

Winfield Mining Co., Moab, Utah.
Jan. 20 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—M. L. C. Bldg., P. O. Box 648, Moab, Utah. **Underwriter**—Security Uranium Service, K. O. V. O. Bldg., Provo, Utah.

Woman's Income Fund, Inc., Baltimore, Md.
Jan. 28 filed 500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Income Managers Inc., New York, which is under the direction of its President, Pierre A. DuVal, of DuVal's Consensus Inc.

Woodland Oil & Gas Co., Inc.
Dec. 21 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For equipment, drilling expenses and working capital. **Office**—42 Broadway, New York, N. Y. **Underwriter**—E. M. North Co., Inc., same address.

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.

Wynn Pharmacal Corp.
Dec. 23 (letter of notification) 85,000 shares of class B common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds** — For production, development and sale of company's products, working capital and other corporate purposes. **Office**—5119 West Stiles St., Philadelphia, Pa. **Underwriter**—Charles A. Taggart & 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

Alabama Power Co. (5/31)
Dec. 30 it was announced company plans to issue and sell $15,000,000 first mortgage bonds due 1985. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); The First Boston Corp.; Lehman Brothers; Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on May 31. **Registration**—Scheduled for May 4.

★ Arkansas Power & Light Co.
Feb. 4 it was announced company plans later this year to issue and sell some first mortgage bonds due 1985. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); Blyth & Co., Inc. and Central Republic Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp. and Union Securities (jointly); White, Weld & Co.; The First Boston Corp.

Atlantic Steel Co., Atlanta, Ga. (3/7)
Jan. 24 it was reported company plans to issue and sell 200,000 shares of common stock (par $5). **Proceeds**—For capital expenditures. **Underwriter**—Courts & Co., Atlanta, Ga.

Baltimore & Ohio RR.
Jan. 19 company sought ICC exemption from competitive bidding of up to $345,000,000 of new securities. **Proceeds**—For refunding. **Underwriter**—Previous negotiated sales were handled by Kuhn, Loeb & Co., New York.

Barry Controls, Inc.
Jan. 27 it was reported that early registration of 100,000 shares of common stock is planned (including part for selling stockholders account). **Underwriter**—Paine, Webber, Jackson & Curtis. **Offering**—Expected late in February.

Bishop Oil Co. (3/16)
Jan. 31 it was announced that directors have approved a plan to offer 153,236 shares of common stock (par $2) to common stockholders of record March 14 on the basis of two new shares for each five shares held; rights to expire on March 30. **Underwriter**—To be named later.

★ Catalin Corp. of America
Feb. 2 it was reported that company plans to offer publicly 50,000 shares of convertible preferred stock (par $20). **Registration**—Expected late in February. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, stated that company plans to issue and sell some additional common stock, par $10 (probably to stockholders). **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly).

Central National Bank of Cleveland
Jan. 25 stockholders were given the right to subscribe for 171,875 additional shares of capital stock (par $16) on basis of one new share for approximately four shares held of record Jan. 19; with rights to expire on Feb. 16. **Price**—$32.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — McDonald & Co., Cleveland, Ohio.

● Chicago & Eastern Illinois RR.
Jan. 25 the company's offer of $15,336,480 of 5% income debentures due Jan. 1, 2054, in exchange, par for par, for the outstanding 383,412 shares of class A stock (par $40) was extended to expire on March 1, 1955. City National Bank & Trust Co., Chicago, Ill., and City Bank Farmers Trust Co., New York, are exchange agents.

Chicago, Rock Island & Pacific RR.
Jan. 11, J. D. Farrington, President, announced that the directors have authorized the issue and sale of not more than $65,000,000 of 40-year income debentures. **Proceeds**—To redeem its outstanding preferred stock (about 620,000 shares). **Underwriters**—If by competitive bidding, bidders may include: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers, Lazard Freres & Co. and Bear, Stearns & Co. (jointly). Exemption from the competitive bidding rule was asked on Jan. 20. If all holders of preferred stock convert their shares into common stock on a share-for-share basis there will be no debenture sale.

Citizens National Trust & Savings Bank of Los Angeles
Jan. 14 stockholders of record Jan. 11 were given the rights 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; rights to expire on Feb. 14. **Price**—$33 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

★ Colonial Trust Co., New York
Feb. 3 it was announced company plans to offer to its stockholders of record Jan. 31, 1955 the right to subscribe for 20,000 additional shares of capital stock on the basis of one new share for each two shares held. **Price**—$50 per share. **Meeting**—Stockholders will vote Feb. 14 on approving offer.

Commonwealth Edison Co.
Jan. 24, Willis Gale, Chairman, announced it should be Fall before the company undertakes its next financing. **Proceeds**—For new construction, which, it is estimated, will cost about $125,000,000 in 1955. **Underwriters**—For last equity financing were The First Boston Corp. and Glore, Forgan & Co.

Crampton Manufacturing Co.
Jan. 31 it was reported company may be planning to issue about $1,750,000 of bonds and about $250,000 of stock. **Underwriters**—For bonds: P. W. Brooks & Co., Inc., New York. For stock: Baker, Simonds & Co., Detroit, Mich.

★ Detroit Edison Co.
Jan. 21 it was announced stockholders on May 2 will vote on authorizing about $60,000,000 of convertible debentures. Previous offer of convertible debentures was made to stockholders without underwriting.

Erie RR.
Jan. 28 company asked ICC for authority to issue $40,288,200 of 5% income debentures due Jan. 1, 2020, which are to be offered in exchange for 402,882 shares of outstanding series A preferred stock on basis of $100 of debentures for each share of stock.

★ Flo-Mix Fertilizers Corp., Houma, La.
Feb. 7 it was reported company plans early registration of 585,000 shares of common stock. **Price**—Expected at $5 per share. **Business**—Distributes fertilizers and mechanical applicators for their use. **Underwriter**—Charles W. Tschirn, Delta Bldg., New Orleans, La.

Georgia Power Co. (5/10)
Dec. 30 it was announced company plans to issue and sell $12,000,000 of first mortgage bonds due 1985. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on May 10. **Registration**—Scheduled for April 13.

Giddings & Lewis Machine Tool Co.
Jan. 26 it was announced stockholders will vote Feb. 15 on increasing authorized common stock (par $2) from 400,000 shares (360,000 shares outstanding) to 750,000 shares, in order to have additional shares which would be available for acquisition of any business, increased working capital, plant expansion or exchange of shares in other companies. **Underwriter** — Previous financing handled by Hornblower & Weeks and associates.

Glatfelter Pulp Wood Co.
Jan. 31 it was reported early registration is expected of from 100,000 to 125,000 shares of common stock. **Underwriter**—The First Boston Corp., New York.

Gulf Cities Gas Corp.
Jan. 17, D. L. Alberty, Executive Vice-President, announced that the company will have another stock issue in the near future. **Proceeds**—For expansion. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York, handled previous financing.

Hanover Fire Insurance Co.
Jan. 12 it was announced stockholders will vote March 7 on authorizing an offering to stockholders during the latter part of March of 100,000 additional shares of capital stock on the basis of one new share for each four shares held. **Price**—To be named later. **Proceeds**—To expand activities in the casualty and multiple line fields. **Underwriters**—The First Boston Corp. and R. W. Pressprich & Co., both of New York.

★ Harris-Seybold Co., Cleveland, Ohio
Feb. 4 it was announced stockholders on March 4 will vote on authorizing a public offering of 125,000 shares of common stock (par $1). **Proceeds**—For expansion and working capital. **Underwriter**—McDonald & Co., Cleveland, O.

Holly Uranium Corp., New York
Sept. 9 S. B. Harris, Jr., President of Holly Corp., 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. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Illinois Central Telephone Co.
Jan. 26 it was reported company plans to sell in Illinois only, 15,000 shares of 5½% cumulative preferred stock (par $50). **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1985. **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); Union Securities Corp. and Stone

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& Webster Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly). **Bids**—Expected March 15.

Kansas Gas & Electric Co. (3/15)
Dec. 23 it was reported company plans sale of 60,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Blyth & Co. Inc.; Union Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected March 15.

Keystone Wholesale Hardware Co., Atlanta, Ga.
Jan. 27 it was stated that the company plans at a later date to offer additional shares for sale nationally. An offering of 16,666 shares of common stock is presently being made to residents of Georgia only at $3 per share. **Office**—517 Stephens St., S.W., Atlanta, Ga.

Minnesota & Ontario Paper Co.
Jan. 31 it was reported company may be planning to issue and sell from $12,000,000 to $15,000,000 senior securities in 1955. **Underwriters**—Probably Blyth & Co., Inc. and Alex. Brown & Sons.

Missouri Research Laboratories, Inc. (2/14-18)
Jan. 26 it was reported company plans to issue and sell $300,000 of 6% debentures due 1970. **Price**—At par. **Proceeds**—For new developments and working capital. **Underwriter**—P. W. Brooks & Co., Inc., New York.

★ **New Orleans Public Service Inc.**
Feb. 4 it was announced that company plans this year to issue some first mortgage bonds due 1985. **Underwriter**—To be determined by competitive bidding. **Probable bidders**: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blair & Co. Incorporated; The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); and Lehman Brothers.

New York Telephone Co.
Jan. 17, Keith S. McHugh, President, announced that the company will have to raise more than $100,000,000 of new capital money to aid in carrying out its expansion and improvement program which will cost approximately $200,000,000. **Underwriter**—For and bonds, to be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.

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.

★ **Northwest Plastics, Inc.**
Feb. 7 it was reported company plans to issue and sell in near future 17,500 shares of common stock, plus 8,316 shares reserved for conversion of outstanding debentures which may soon be called for redemption. **Underwriters**—May be Irving J. Rice & Co., St. Paul, Minn.; and M. H. Bishop & Co., Minneapolis, Minn.

★ **Norway (Kingdom of)**
Feb. 3 it was reported this country may sell between $30,000,000 and $40,000,000 of bonds in the Spring (probably in April). **Underwriters**—May be Kuhn, Loeb & Co., Harriman Ripley & Co. Inc., Lazard Freres & Co. and Smith, Barney & Co.

● **Pacific Gas & Electric Co. (3/2)**
Jan. 19 the directors authorized the sale of $50,000,000 first and refunding mortgage bonds. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. **Bids**—Expected about March 2.

Pacific Northwest Pipe Line Corp.
Dec. 20, C. R. Williams, President, announced that it is planned to offer publicly $16,800,000 of 6% interim notes due May 1, 1956 (convertible into preferred stock at maturity) and 280,000 shares of common stock (par $1) in units of $60 principal amount of notes and 10 shares of stock. **Price**—$70 per unit. **Proceeds**—Together with other funds, to finance construction of a 1,400-mile natural gas pipeline between Ingancio, Colo., and Sumas, Wash., on the Canadian border. In addition, 1,659,200 shares of common stock would be offered for subscription by present stockholders who already own 700,000 shares. **Underwriter**—White, Weld & Co.; Kidder, Peabody & Co.; Dominion Securities Corp.; Union Securities Corp. **Bids** — Expected to be received late in February or early in March.

● **Pan American Sulphur Co.**
Feb. 3 it was reported company is considering offer late in March of about $4,500,000 convertible debentures (first to stockholders). **Underwriter**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

★ **People's Finance Corp., Denver, Colo.**
Jan. 31 it was reported company plans to issue and sell about $500,000 of 6% convertible preferred stock. **Proceeds**—For expansion. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill. **Offering**—Expected in April.

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 April or May, 1955.

Southern Co. (11/9)
Dec. 30 it was announced company plans to issue and sell to the public 500,000 additional shares of common stock (par $5). **Proceeds**—To repay bank loans and for investment in additional stock of subsidiary companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Ladenburg, Thalman & Co., Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Blyth & Co., Inc., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively scheduled for Nov. 9. **Registration**—Not expected until Oct. 12.

● **Southern Nevada Power Co. (3/8-15)**
Nov. 12 it was announced company plans to issue 75,000 shares of convertible preferred stock (par $30). **Underwriters**—Hornblower & Weeks, William R. Staats & Co. and First California Co.

Southwestern Gas & Electric Co.
Jan. 17 it was reported company is planning to issue and sell $6,000,000 of cumulative preferred stock (par $100). **Proceeds**—To prepay bank loans and for construction program. **Underwriters**—To be determined by competitive bididng. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected in April or May, 1955.

★ **Storer Broadcasting Co.**
Feb. 7 it was announced company plans to publicly offer 262,750 shares of common stock. **Proceeds**—To reduce long-term debt and to redeem 15,000 shares of 7% preferred stock (par $100). **Underwriter**—Reynolds & Co., New York. **Meeting**—Stockholders will meet Feb. 15 to vote on approving financing.

Transcontinental Gas Pipe Line Corp.
Nov. 24 Tom P. Walker, President, announced that the construction program for 1955 and replacement of bank borrowings made in 1954 wil require financing during 1955 of about $85,000,000. It is planned to offer publicly in either March or April $10,000,000 to $12,000,000 of preferred stock. About $60,000,000 of bonds wil be sold later this year (may be done privately). **Underwriter**—White, Weld & Co. and Stone & Webster Securities Corp.

Trav-Ler Radio Corp. (3/16-17)
Jan. 27 it was reported company is understood to be planning the issue and sale of about $1,500,000 debentures (with warrants). **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Union Electric Co. of Missouri
Jan. 24 it was reported company expects to sell about $30,000,000 30-year first mortgage bonds late in 1955. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

Van Norman Co.
Jan. 27 it was announced company plans to offer to its stockholders 124,667 shares of common stock on a 1-for-3 basis, plus a warrant to buy an additional share over a 10-year period. **Underwriter**—Paine, Webber, Jackson & Curtis. **Offering**—Expected before April 1.

West Texas Utilities Co.
Jan. 5 it was reported company plans the sale of $7,000,000 30-year first mortgage bonds (probably in May, 1955). **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler, Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co and Lehman Brothers (jointly); Kidder, Peabody & Co. The First Boston Corp.

Western Auto Supply Co. (Mo.)
Jan. 12 it was announced that stockholders on March 15 will vote on approving a proposal to create an issue of 100,000 shares of preferred stock and $5,000,000 of bonded debt, and on increasing the authorized common stock from 1,335,000 shares to 2,500,000 shares. The company may raise about $10,000,000 through the sale of $5,000,000 preferred stock and $5,000,000 bonds to finance the purchase of 140 retail stores owned by Gamble-Skogmo, Inc. **Underwriter** — Merrill Lynch Pierce Fenner & Beane, New York.

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. Bonds may be sold publicly or privately, depending on market conditions.

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 holding before that date. **Underwriter**—Union Securities Corp. New York, underwrote recent sale of Sinclair's holding of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

Zapata Off-Shore Co.
Jan. 27 it was reported early registration is expected o 315,000 shares of common stock of this company (a subsidiary of Zapata Petroleum Co.). **Underwriter**—Underwood, Neuhaus & Co., Houston, Tex.

Our Reporter's Report

Things are looking up in the corporate new issue field and much of the recent reticence appears to be fading from the scene. At any rate offerings brought to market in the last fortnight have had a better reception than their near-term predecessors.

The change may be credited to one, or perhaps two developments, namely the splendid reception accorded the Treasury's debt refunding operation, particularly the widespread acceptance of the new 40-year bond, and, in some measure, of course, to the scarcity of new material.

Undoubtedly the latter element has been potent, especially at this time of the year, when the search for new investment outlets is especially active. That phase of the picture does not appear likely to undergo any marked change in the immediate future.

A glance at the new issue calendar reveals a paucity of new undertakings stretching some weeks ahead, that is so far as the corporate field is concerned. Tax-exempts, on the other hand, should begin to pick up volume in the weeks ahead, what with several large new toll-road projects moving toward the public offering stage.

Next week's schedule shows only two small issues, Dallas Power & Light's $7,000,000 of debentures, on Monday; and Kansas City Power & Light's $16,000,000 of bonds, due up for bids on Tuesday.

Amen

The Pure Oil Co.'s decision to call its 5% preferred brought a long and echoing "Amen" from scores of houses which participated in the underwriting of the issue back in 1937.

"All's well that ends well" as the saying goes, but, for a time on that occasion, those who marketed the stock really sweated. Not a share was sold on the initial offering day and the issue had to be "boxed," that is carried until conditions changed.

But, after 18 years, investors who purchased the shares and who have received dividends regularly, will get the call price of $105 on April 1. This is one case where the investor did all right, but where the underwriters really took a lacing.

And to round out that particular era, an issue of Bethlehem Steel debentures which followed closely, fared little better, while a New York State bond issue likewise found hard-sledding.

It will be recalled, that these events developed in the early stages of the investment market revival in the wake of the enactment of the Truth in Securities Act.

Out-the-Window

For the first time in a blue moon, underwriters this week came up with a new utility offering that really caught fire and went out in a rush.

General Telephone Co. of California, on Tuesday put up $12,000,000 of 30-year first mortgage bonds for competitive bids. Five banking groups bid for the offering, all specifying a 3⅜% interest coupon.

The successful group paid the issuer a price of 101.893 and proceeded to reoffer at 102.384 for a yield of 3.25%. A rush of buyers swept the counters clean in a matter of minutes.

A matter of only about 73 cents a bond separated the first two bids and the lowest of the five was but $1.70 a bond under the top.

Easing the Pinch

The decision to make the new General Motors stock available for delivery on a day-to-day basis brought a rousing cheer from banking and brokerage houses which participated in the deal.

Ordinarily in such operations the involved capital of participants is tied-up for the duration of the "standby," in this case a full month.

But the decision to deliver stock to buyers on the exercise of their "right," in other words putting the whole deal on pretty much a "pay-as-you-go" basis, averted the need to "escrow" such capital for more than a brief period.

With Brown Madeira

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Edw. A. Chaz has joined the staff of Brown Maderia & Co.

With Lee Higginson Corp.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard White is now with Lee Higginso Corporation, 231 South La Sall Street.

Joins Elmer Bright

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas Campbell is now connected wit Elmer H. Bright & Co., 84 Stat Street, members of the New Yor and Boston Stock Exchanges.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John F. Powers, Jr. and Philip Tanzer hav become affiliated with Investor Planning Corporation of Ne England, Inc., 68 Devonshire S

Missouri Natural Gas Common Stk. Offered

Straus, Blosser & McDowell, Chicago, Ill., and associates on Feb. 9 publicly offered 120,500 shares of common stock (par $2.50) of Missouri Natural Gas Co. at $8.50 per share. Of the total, 114,000 shares are offered for public sale by the issuing company and the balance by certain "selling stockholders."

Net proceeds to the company of its stock sale will be used, first, to pay outstanding bank loans of $200,000 and, second, together with cash to be derived from operations, to defray the cost of estimated expenditures for physical property additions to be made during 1955 and 1956.

Associated with Straus, Blosser & McDowell in the offering were Cruttenden & Co.; A. G. Edwards & Sons; H. M. Byllesby & Co. (Inc.); Central Republic Co.; and G. H. Walker & Co.

Joins Gresham & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Kenneth R. Monte has become associated with Robert G. Gresham & Co., 111 North La Cienega Boulevard.

Fabian & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Merl E. Shields has become affiliated with Fabian & Company, 9500 Santa Monica Boulevard.

With State Bond & Mtge.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Harold M. Lightfoot is now with State Bond and Mortgage Co., 28 North Minnesota Street.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On February 1, 1955 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 1, 1955 to Stockholders of record at the close of business March 17, 1955. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary*

AC ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 123

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, $20.00 par value, of this Company has been declared, payable March 31, 1955 to shareholders of record at the close of business March 4, 1955.

3¼% PREFERRED DIVIDEND NO. 34

A regular quarterly dividend of eighty-one and one-quarter cents (81¼c) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1955 to shareholders of record at the close of business February 21, 1955.

4.08% PREFERRED DIVIDEND NO. 3

A regular quarterly dividend of one dollar and two cents ($1.02) per share on the 4.08% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1955 to shareholders of record at the close of business February 21, 1955.

Transfer books will not be closed.
Checks will be mailed.

W. E. HAWKINSON,
Vice President and Secretary

February 2, 1955

Manufacturers of AE Wall & Floor Tile

AMERICAN ENCAUSTIC TILING COMPANY, INC.

COMMON STOCK DIVIDEND

Declared February 4, 1955

15 cents per share

Payable March 3, 1955

Record Date February 24, 1955

America's OLDEST Name in Tile

DIVIDEND NOTICES

Atlas Corporation

33 Pine Street, New York 5, N.Y.

Dividend No. 53
on Common Stock

A regular quarterly dividend of 50¢ per share has been declared, payable March 21, 1955 to holders of record at the close of business on February 28, 1955 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, *Treasurer*

February 3, 1955

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, February 3, 1955, a dividend of fifty cents (50c) per share was declared on the Common Stock of the Corporation, payable March 31, 1955, to Common stockholders of record at the close of business on March 1, 1955.

The Board also declared a dividend of one dollar nine and three-eighths cents ($1.09375) per share on the $4.375 Cumulative Preferred Stock of the Corporation, payable March 15, 1955 to Preferred stockholders of record at the close of business on March 1, 1955.

S. A. McCASKEY, JR.
Secretary

AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable March 1, 1955 to stockholders of record at the close of business on February 23, 1955.

A quarterly dividend of 32 cents per share on the Common Stock has been declared, payable March 24, 1955 to stockholders of record at the close of business on February 23, 1955.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

FRANK J. BERBERICH
Secretary

American INVESTMENT COMPANY OF ILLINOIS

97TH CONSECUTIVE DIVIDEND

A regular quarterly dividend of 40 cents a share was declared on the common stock, payable March 1, 1955 to stockholders of record February 15, 1955.

HARRY W. HARTLEY
Treasurer

February 1, 1955

Financing the Consumer through nation-wide subsidiaries—principally:

Public Loan Corporation
Domestic Finance Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

BRUNING

AMERICA'S LARGEST SUPPLIER OF ENGINEERING & DRAFTING EQUIPMENT

The Board of Directors of Charles Bruning Company, Inc. have declared a regular quarterly dividend of 60c per common share payable March 1, 1955, to holders of record February 15, 1955.

Vincent G. McDonagh,
Secretary

COPYFLEX COPYING MACHINES FOR BUSINESS AND INDUSTRY

EATON MANUFACTURING COMPANY

CLEVELAND 10, OHIO

DIVIDEND No. 135

On January 28, 1955, the Board of Directors declared a dividend of fifty cents (50c) per share on the common shares of the Company, payable February 25, 1955, to shareholders of record at the close of business February 10, 1955.

H. C. STUESSY, *Secretary*

Manufacturing plants in Ohio (five), Michigan (five), Kenosha, Wis., Lackawanna, N. Y., and London, Ont.

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

130th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on March 1, 1955 to stockholders of record at the close of business on February 15, 1955.

GEORGE SELLERS, Secretary

February 4, 1955

DIAMOND ALKALI CHEMICALS

Dividend Number 13 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on February 3, 1955, declared a dividend of $1.10 per share for the quarter ending March 15, 1955, payable March 15, 1955, to holders of 4.40% Cumulative Preferred Stock of record February 18, 1955, and a regular quarterly dividend of 37½ cents per share, payable March 5, 1955, to holders of Common Capital Stock of record February 18, 1955.

DONALD S. CARMICHAEL,
Secretary

Cleveland, Ohio, February 4, 1955

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable March 16, 1955, to stockholders of record February 25, 1955. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

February 8, 1955.

TITLE GUARANTEE and Trust Company

DIVIDEND NOTICE

Trustees of Title Guarantee and Trust Company have declared a dividend of 30 cents per share designated as the first regular quarter-annual dividend for 1955, payable on February 25, 1955 to stockholders of record February 11, 1955.

WILLIAM H. DEATLY • *President*

PEPPERELL MANUFACTURING COMPANY

PEPPERELL FABRICS

Boston, January 28, 1955

DIVIDEND NOTICE

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable February 15, 1955, to stockholders of record at the close of business February 8, 1955.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, *Secretary*

TECHNICAL OIL FIELD SERVICES

LANE-WELLS COMPANY

Dividend No. 71

The Directors have declared a quarterly dividend of 40 cents per share on the common stock, payable March 15, 1955, to stockholders of record February 23, 1955.

WILLIAM A. MILLER
Secretary-Treasurer

PHELPS DODGE CORPORATION

The Board of Directors has declared a first-quarter dividend of Sixty-five Cents (65¢) per share on the capital stock of this Corporation, payable March 10, 1955 to stockholders of record February 25, 1955.

M. W. URQUHART,
Treasurer.

February 2, 1955

DIVIDEND NOTICES

Tennessee Gas Transmission Company

DIVIDEND NO. 30

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable April 1, 1955 to stockholders of record on March 4, 1955.

J. E. IVINS,
Secretary.

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND

80th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable April 10, 1955 to stockholders of record March 24, 1955.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 53 cents a share on $2.12 Convertible Preferred Stock, and $1.43¾ on the $5.75 Sinking Fund Preferred Stock. All preferred dividends are payable April 10, 1955 to stockholders of record March 24, 1955.

A. E. WEIDMAN
Treasurer

January 27, 1955

Esso

STANDARD OIL COMPANY
(INCORPORATED IN NEW JERSEY)

The Board of Directors has declared a Cash Dividend on the capital stock of $1.25 per share on February 3, 1955. This dividend is payable on March 11, 1955, to stockholders of record at the close of business on February 14, 1955.

A. C. MINTON, Secretary

30 Rockefeller Plaza, New York 20, N. Y.

AJAX PIPE LINE CORPORATION

as part of a Plan for its Liquidation will pay to the stockholders of record of Standard Oil Company (Incorporated in New Jersey) a disbursement of 1.74 cents per share. The disbursement will be explained in a communication accompanying the check of March 11, 1955.

P. H. HUNTER, Secretary

February 3, 1955.

RICHFIELD
dividend notice

The Board of Directors, at a meeting held January 29, 1955, declared a regular quarterly dividend of 75 cents per share on stock of this Corporation for the first quarter of the calendar year 1955, payable March 15, 1955, to stockholders of record at the close of business February 15, 1955.

Cleve B. Bonner, *Secretary*

RICHFIELD
Oil Corporation

Executive Offices: 555 South Flower Street, Los Angeles 17, California

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is much less than meets the eye behind the current chatter to the effect that the Administration is scheming up what kind of controls to have just in case.

This is not to imply that controls are not a serious issue, because anytime anybody gets day-dreaming about how can the government get some more power it is something to reckon with, like dynamite left lying around loose.

However, the present drive has a low head of steam both within the Administration and Congress. It will be a serious project only if the good old Commies, who have done so much to boost full employment and the expanding economy, really scare the American people a great deal more.

That excellent college President who is heading up the Office of Defense Mobilization, Dr. Arthur Flemming, has been studying the ways to mobilize and protect the United States in case of all-out war. He has, however, got little recognition or attention from the rest of the governmental hierarchy since the end of the war to demonstrate soundly and finally to the Communist world the unity of the free world in repelling aggression. One of the doctor's projects, of course, has been this matter of what kind of controls to have.

Meanwhile, one of the lesser sycophants with which it is the inescapable curse of any President to be surrounded—and this one with a sense of personal social insecurity — thinking he would win teacher's smile, put forward the argument the President should get himself some of this control power abandoned two years ago. Civilian defense officials horned into the deal, and studies are being made.

Take Broad View

Ed Phelps, who rates highly as the former capable Deputy Administrator of the Office of Price Stabilization, was dragooned back to Washington to be the top staff man on this undertaking.

Phelps is understood to hold to the view that controls over wages, prices, rents, and credit are subordinate to the problem of finding a way to dam inflation at its source. With the public debt at $278 billion and the total tax burden in terms of disposable income at almost the peak of the last police action, it is recognized that there is a problem.

The problem is how to avoid the merry manufacture of credit as in the second World War and the late war in Korea. This involves meeting up with two pretty bitter alternatives. One of them is an even more onerous volume of taxation which obviously will have to hit the pampered union workers, for even 100% taxation of the filthy rich will not begin to do the job of avoiding extensive manufacture of credit money. The other is "forced savings" or a system like in Russia whereby everybody is assigned a "voluntary contribution" of so much a month out of his pay to be invested in some kind of Treasury debt.

So the current thinking is that in view of the present enormous inflationary base, it will be necessary to curb the further expansion of that inflationary potential before dealing with price, wage, rent, and credit controls. The latter are affected only by the inflation that slips by the basic inflation-manufacturing machine. The new controllers don't want to content themselves with playing with the irresistible effects of large inflation.

Pentagon Plans Differently

This broad approach is something new in war planning. It contrasts with the planning of the Defense Department, or at least the brass fittings therein. The military are supposed to be assuming that the war with Russia would be financed about in the pattern of War II, and the United States would end up with a national debt of $1,000,000,000,000 ($1 trillion).

If the proposition of standby controls on prices, wages, credit, and rents is made inseparable from a broad-gauge program of the character mentioned to avoid the creation of monetary inflation, then that is one thing. That one thing is nothing doing, for no Congress one hour before it is necessary, is going to write down a bill of particulars for all constituents to see, as to what war would take out of people's pocket books.

This standby control situation is further complicated by the intervention of the Civilian Defense officials. They are talking about some kind of price wage control program at the city or county level on the assumption that the Reds somehow can and will dare to just about murder national life in the United States. This is another one of those abstract "iffy" things that won't appeal to a bunch of Congressmen innocently engaged in their usual business of getting reelected.

Will Improvise

Hence the final outcome in all probability will be an improvisation after the fact of emergency. In fact it is almost invariable that prior to wars gentlemen stashed around in Federal buildings think up elaborate schemes for dealing with war on an "if and when it comes" basis, and equally customary for these best laid plans to be forgotten, come the actual hostilities.

If the latest China incident should end up in fighting instead of esoteric maneuvering before the United Nations and a few men and an occasional ship get wiped out, then perhaps both the Eisenhower entourage and the Congress would go for standby price, wage, credit, and rent controls in the form of some kind of a freeze.

Without an honest-to-goodness war scare, however, the attitude of Congress is that this price control stuff is passe. They are as much interested in embracing it in 1955 as a handsome popular young collegian would be in dating his high school sweetheart who in the meantime has grown fat and ugly.

Plans New Way To Tap Bank Money

Ezra T. Benson is planning a new scheme whereby Uncle Sam can evade the appropriations process and go directly into the strong rooms of banks and get money for Federal purposes. In fact, it is two schemes.

It is recalled that last year Congress, aided and abetted by the Secretary of Agriculture, passed a bill under which loans to farmers for building up their soil, planting woods, or improving their pastures can be "insured" by the Farmers Home Administration. The farmer goes to FHA (farm version). The farm-FHA approves the loan, and makes out a note for the farmer. Uncle Sam puts a guarantor's endorsement on the back of the note, and all the bank has to do is to provide the money. Farm-FHA even collects and otherwise services the loan.

Eisenhower in his Economic Report message praised the beauties of this easy way to get money, so Mr. Benson is going ahead on two new large variations thereof.

Has Two Variations

The first of these is in respect to mortgage loans.

Farmers Home Administration, Rex Tugwell's old Resettlement Administration, with its name changed twice, for years struggled along on some $25 million a year to make mortgage loans to farmers on the basis of loans at 100% of collateral for something like 40 years.

Under Truman the farm-FHA got wise and concocted itself an "insurance" scheme, but with mortgage loans limited to 90% of value. In this case a farmer would, after being blessed by farm-FHA, go to a bank, and get the loan. Farm-FHA would "insure" the loan, and at the same time enter into a firm contract with the lending bank to take the loan off the hands of the bank after a given period, which was once five years and now is 10. So the bank in effect was making a 10-year loan disguised as a 40-year loan, the farmer got the money, farm-FHA got around asking for more appropriations, and the problem of raising the cash was left to the dim and distant future when maybe the mortgages would come home to the government to roost.

The new scheme—which will be along shortly—provides that Farmers Home will itself make the mortgage loan of government money within its "insurance fund." Then the note, endorsed by the government, will be "sold" to the bank. The Comptroller of the Currency will rule that the bank is making an investment and not a mortgage loan, and this will remove this business from the customary limits upon banks on the amount of real estate loans they can make.

Farm-FHA also makes liberal 7-year production loans. The second scheme is to treat these like the soil conservation loans, in which banks by buying government-guaranteed paper will become mere disbursing agents for Mr. Benson's boys.

Together with the suggestion of guaranteed hospital loans and guaranteed loans of numerous other kinds, the time is in sight when banks will be engaged primarily in the business of disbursing funds "without risk and with guaranteed return" on behalf of the government. They then will become de facto sub-Treasuries of the United States.

This will not be socialism, however, for Mr. Eisenhower says he is against socialism and government in business.

(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

"Where?—Alaska!—Just because I touch him for a couple of lousy bucks now and then!"

Business Man's Bookshelf

French Revolution Inflation — Lesson of Irredeemable Currency—10 page study—25 cents per copy; 10 copies, $2.00; 50 copies, $7.50; 100 copies, $10.00 —Frederick G. Shull, 2009 Chapel Street, New Haven 15, Conn.

"10 Best . . ."—Investment booklet plus next 12 issues of "The Exchange Magazine"—$1.00—The Exchange Magazine, Dept. E-1, 11 Wall Street, New York 5, N. Y.

Ten Year National Highway Program: Investment Impact of General Clay's report to the President—John Nuveen & Co., 135 South La Salle Street, Chicago 3, Ill. (paper).

What Price Federal Reclamation? —Raymond Moley—American Enterprise Association, Inc., 1012 Fourteenth Street, N. W., Washington 5, D. C. (paper) $1.