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EDITORIAL

As We See It

The Fulbright "study" of the stock market has come to a welcome close. It was not always wholly "friendly," but it was unable to uncover any major abuses—since, as most of us knew from the beginning, there were none to find. Mr. Baruch's *coup de grace* was hardly needed to put an end to the hope of some of the politicians that a real "issue" might be found in Wall Street for use in the election campaigns next year. It had already become clear that no such investigation as this could really determine whether stocks were " too high" or not—as it should have been clear that such a question was scarcely one for Congress to concern itself with. If a few investors — or speculators, for that matter — insist upon bidding some stock up to a point not warranted by the facts, then in absence of manipulation or other abuses such as once characterized the market, the matter had better be left wholly to natural forces to correct. And so the Fulbright effort can safely be left to historians to deal with.

Let no one suppose, however, as there seems to be some likelihood that some will suppose, merely because the Senator could not find any abuses in the stock market, that we have no economic problems on our hands or that no major economic hazards lurk in our path. Mr. Baruch is quite right in saying that the stock market is not the cause of fever, but merely a thermometer which registers it. Unfortunately, this thermometer is not always fully responsive to underlying conditions, but tends rather to register semi-popular impressions of current conditions—which are not always fully in accord with the facts. In 1929 it registered quite erroneous ideas of what

Continued on page 35

Economic Implications of Guaranteed Annual Wage

By JULES BACKMAN*

Professor of Economics, New York University

Professor Backman describes the proposals for a Guaranteed Annual Wage and classifies the schemes as: (1) unlimited guarantee of 52 weeks' full pay; (2) unlimited guarantee with proviso to protect employees with designated seniority, and (3) limited guarantee related to a pay-roll reserve fund. Discusses some economic considerations connected with these proposals, and concludes any program which is intended to pay those who are unemployed substantially as much as is paid to those employed would result in an increase in income for the unemployed.

All economic groups desire protection against loss of income. In recent years, this objective has been given increasing emphasis by workers in mass production industries. Such production workers are hired and paid by the hour and understandably are concerned about the loss of income when they are not employed. Unemployment insurance provides a partial offset against the loss of income attending the loss of a job. However, the liberalization of the unemployment insurance laws has lagged behind the sharp rise in wages of the 'Forties and 'Fifties. Thus, today many workers receive relatively less income protection in terms of lost wages than they did when the program started. Government officials, union leaders, and others have noted this lag and called upon the State legislatures to correct the situation. At the same time, several large unions have demanded that workers be paid substantially their full wage when jobs were lost.

Jules Backman

Guaranteed wage plans have been in operation in this

Continued on page 28

*An address by Prof. Backman before the Society for the Advancement of Management, New York City, March 11, 1955.

Our Investment Stake In Latin America

By J. PETER GRACE, JR.*

President, W. R. Grace & Co.

Mr. Grace stresses the importance and magnitude of our financial stake in Latin America and points to trend in that area from production of raw materials to an industrial economy under which the inhabitants can raise their living standards. Cites recent entry of American firms in Latin America, and the program of American partnership with local concerns. Reveals recent large investment of chemical concerns in South America. Concludes, though we have actually stepped up our pace in Latin America, we still have a long way to go. Cautions American investors in Latin America to stay out of local politics.

I would like to present to you a prospectus of Latin America and submit it to your skilled analysis. Latin America is developing more and more interest in many parts of the United States. Perhaps some of you were in New Orleans earlier this month at the Inter-American Investment Conference co-sponsored by Time-Life International and the City of New Orleans. Mr. Henry Luce and his organization and the very progressive businessmen of New Orleans did a tremendous job of bringing together almost 1,000 serious businessmen from both continents of this hemisphere. The amount of real interest generated in investment opportunities in Latin America was amazing.

J. Peter Grace, Jr.

The representation at the Conference was of the highest quality and the spirit of the groups from both sides of the Rio Grande was progressive. Just to give you an idea of the type of people attending this Conference, I ran into one group of businessmen who told me that they had between $25

Continued on page 36

*An address by Mr. Grace before the Central States Group, Investment Bankers Association of America, Chicago, Ill., March 16, 1955.

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 48.

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.)

STUART M. BERINGER
Assistant Treasurer, P. W. Brooks & Co., Inc., New York City

Glen-Gery Shale Brick Corporation

Glen-Gery common stock impresses me as a strikingly undervalued issue with no apparent weakness to justify this situation when securities in general are being valued rather generously. For here is a superbly managed company that is a leader in a prospering industry, whose sales have for years been in an uninterrupted upward trend, whose efficiency is apparently second to none due largely to its extensive and continuing program of plant modernization and expansion, whose profits are at record levels and whose common stock, nevertheless, is selling at but 6.9 times '54 earnings to yield about 8.5% on last year's dividends.

Stuart M. Beringer

Summarized below are the highlights of this interesting situation together with a more detailed description of the company's business.

(1) Glen-Gery is the largest producer of face brick in the East.

(2) Sales have increased in each of the past ten years, rising from $807,000 in 1944 to a high of $6,457,000 last year. Since World War II the company has operated all plants substantially at capacity.

(3) Profits of $652,000 were at a record level in 1954, and, since all indications point to a continuation of a high level of building activity, profits and dividends are likely to be higher in 1955.

(4) Glen-Gery offers a wider range of colors, textures and sizes of brick than any other producer in its area. One-third of output is free of competition in that it consists of types of brick not made by any competitor.

(5) Since World War II, approximately $6,180,000 has been expended to expand plant capacity, to increase manufacturing efficiency and to diversify and improve the quality of the company's products. Largely as a result of such expenditures, pretax profit margins, which ranged between 5.4% and 6.5% from 1940 to 1942, have sharply widened, increasing to between 20% and 28% in each of the postwar years.

(6) The company in 1954 embarked upon a $5,000,000 4-year program of capital improvements and expansion, a major objective of which will be to adapt additional facilities to the production of oversize brick, for which demand continues to grow.

(7) Earnings per common share in 1954 were 78c and dividends totaled 45c. The common stock is currently quoted in the over-the-counter market at 5¼ bid, 5½ asked, providing the unusually generous return of about 8½%.

Founded in 1908 and incorporated in Pennsylvania in 1939, this business has had an impressive record of steady, long-term growth. During the postwar period shipments have more than doubled from 83.8 million brick in 1946 to 171 million last year.

The company manufactures face brick used in the construction of practically all types of residential, commercial and industrial buildings, hospitals and government buildings. The brick is made largely from shale, the use of which permits the making of hardened, well-burned brick having permanent colors as well as advantageous structural, absorption and strength characteristics. Constant experimentation involving the blending of various types of shale or clay, controlled variations in the manufacturing process and the addition of sand and chemical coloring matter have resulted in the numerous varieties of colors, textures and sizes of Glen-Gery brick.

The company's output consists largely of standard size brick, which is used primarily for exterior walls and to an increasing extent for decorative interior use. In addition, the company has been rapidly increasing its production of "oversize" brick, for which demand continues to grow due largely to the savings in construction costs afforded thereby. Sales of oversize brick currently account for approximately 20% of the company's sales, and a major objective of the proposed plant improvement program will be to adapt additional facilities to its manufacture.

Glen-Gery products are sold by its own salesmen in the local markets surrounding its plants and to distributors and dealers in other areas. Its principal markets are in Pennsylvania, New York, New Jersey, Maryland and Delaware and the New England states.

Our belief that Glen-Gery's facilities are the most efficient in the industry is supported by the tabulation below of pre-tax profit margins for those brick companies for which financial information is publicly available.

Note, moreover, that Glen-Gery's profit margins since 1952 have been adversely affected, not only by more competitive conditions, but more importantly to the fact that, since the acquisition of the two York plants in 1952, the operation of these facilities (accounting for roughly 15% of total output) has been on an unprofitable basis. With the complete rebuilding of one of these plants last year, including a third tunnel kiln, this division should henceforth be a substantial earner.

The company's ten plants have an aggregate floor space under roof of approximately 1,100,000 square feet. They are all located in Pennsylvania within a radius of about 100 miles of Reading, and, while originally built many years ago, have been substantially rebuilt and improved in recent years.

Glen-Gery's postwar capital expenditures of $6,180,000 were largeley for improvements and additions to facilities and included the installation in 1950 and 1951 of the company's first tunnel kilns. These kilns permit a continuous, largely automatic burning operation with very substantial savings in labor costs. All kilns and storage areas were placed under cover to permit all-weather production, and plants were mechanized and re-equipped to increase efficiency, improve quality and permit a wider diversification of products.

The company's current financial position is exceptionally strong with substantial cash funds available for the continuation of its capital improvement and expansion program. On Dec. 31, 1953 current assets of $3,462,000 included cash items totaling $2,732,000 and compared favorable with current liabilities of but $1,036,000 and total liabilities of $3,166,000. Capital securities consisted of 130,129 shares of 6% first preferred stock, $10 par (convertible into two shares of common stock), and 817,741 shares of common stock, 50c par.

Sales and earnings for the first two months of 1955 are well ahead of those realized in the comparable period last year. The outlook for the full year is promising and profits are expected to reach a new high, in which event dividends aggregating 50c are a distinct possibility. Over the longer term there seems to be no reason why the steady progress recorded in the past should not be maintained, with resultant larger sales, earnings and dividends.

	Pre-Tax Profit Margins—				
	1950	1951	1952	1953	1954
Glen-Gery	26.7%	26.1%	20.9%	20.0%	19.7%
Hydraulic Press Brick	17.8	19.3	12.4	14.3	14.2
Illinois Brick Co.	11.2	6.9	6.0	11.6	15.3
Metropolitan Brick Co.	16.1	19.1	17.4	16.4	N.A.
Sayre & Fisher Brick Co.	19.6	16.6	7.8	4.5	N.A.
United Brick & Tile	19.3	19.5	13.5	14.1	*

*In liquidation. N.A.—Not available.

This Week's Forum Participants and Their Selections

Glen-Gery Shale Brick Corporation—Stuart M. Beringer, Assistant Treasurer, P. W. Brooks & Co., New York City. (Page 2).

Marshall Field & Company—Edward S. Wilson, Manager of Research Department, Hallgarten & Co., New York City. (Page 2).

EDWARD S. WILSON
Manager, Reseach Department
Hallgarten & Co., New York City
Member New York Stock Exchange

Marshall Field & Company

In our opinion, the common stock of Marshall Field, the greatest name in Middle West retail circles for over 100 years, is definitely "behind the market" for department store equities at the present time. The current yield of 5.8% on the well-secured $2 common dividend rate is above the average. Moreover, the additional earnings expected to be derived from four proposed new suburban stores over the next three years indicates worthwhile capital appreciation possibilities. (We estimate that these new stores could add at least 60 cents per share to annual earnings.) Capitalization is relatively light and, as a result of the sale of Fieldcrest Mills for $26.6 million on Sept. 30, 1953, working capital is greater than required in the company's normal business even allowing for the anticipated expansion program.

Edward S. Wilson

Since its formation in 1852, Field's, the city's largest store, and Chicago have grown together. The block square main store in the "Loop" has long been famous not only in the Middle West but throughout the world. Marshall Field, perhaps the greatest of the merchant princes, bought into partnership with Potter Palmer in

Continued on page 41

Responsibility of Federal Reserve And Bankers in Avoiding Inflation

By FAYETTE B. SHAW
Assistant Professor of Economics
University of Illinois

Professor Shaw describes the banking process whereby the receiving of deposits and the making of loans have an inflationary effect. Says bankers also contribute to inflation by buying bonds directly from the government through the process of crediting the government with the amount of the purchase. Lists government budget deficits, and Federal Reserve policies, as other sources of inflation, and calls attention to the banking system's responsibility in avoiding undue expansion of credit and keeping the public welfare in mind in making loans.

Whatever the near-term prospects of business, the most serious longer-range problem is inflation. Over the years, the safeguards set up to protect the dollar have been weakened as restrictions thrown around the Federal Reserve System have been lessened, and with the growing sentiment that government is responsible for full employment and production, the likelihood is that policies will be adopted which will be inflationary, with the possibility that the dollar will go the way of the mark, the franc, and the lira. If this is to be prevented, the responsibility of the banking system and of the bankers is great, though they are not the only groups which should feel such responsibility.

Fayette B. Shaw

Oftentimes bankers themselves do not realize the part they play as individuals in promoting inflaton. In addition to making a profit for the bank, two attitudes dominate their thinking, both of which are inadequate in evaluating their influence. First, a banker feels that he should accommodate his customers. Second, the banker lends his deposits. Both of these are partly in error.

When a loan officer sits at his desk and talks over with a customer the proposition of a loan, he wants to protect the solvency of the bank, he wants to serve a good customer and thereby the community, and he wants to make a profit for the bank. A higher authority in the institution, perhaps including himself as one member of that authority, has established the framework of the lending policy, and within that framework the loan officer considers each application before him on its merits. The impact of the loan on the borrowing company is most important, on the community somewhat less so, and on the economy as a whole so remote as to receive only vaguely passing attention. In a time when inflation threatens this may not be enough.

To the banker it seems obvious that he lends his deposits. His customers bring their money in and leave it with the understanding, in the case of demand deposits, that they withdraw at any time. The banker can lend these deposits safely because he knows by experience that not all of his depositors are going to want all their money at the same time. If they should have such distressing desires, as they did prior to and leading up to the Bank Holiday of 1933, the banking system could not function at all. But we may hope that the insurance of bank deposits plus such responsible management that customers will always have confidence in their bankers will prevent loss of confidence in future.

Banks Can Create Deposits

But bankers not only lend their deposits, they also create new deposits "out of thin air" as it were, and thus contribute measurably to inflation. Whether they realize it or not, they actively determine, maybe individually, certainly collectively, whether a nation will have inflation. When a bank makes a loan, it acquires a new asset posted under the heading of loans and discounts. If the borrower takes the proceeds in cash, there is no inflationary effect. What some depositors have brought in in cash is transferred to the borrower. However, the usual way of taking the proceeds is to credit a deposit account. Here is purchasing power which did not exist before, but is now ready to be spent on goods and services, just as cash would be used. New purchasing power has been created out of thin air. Of course, the reserve ratio must be maintained.

For example: Suppose the bank must maintain a legal minimum reserve ratio of 20%. On $10,000,000 of legal reserves, deposits must not exceed $50,000,000. But the loaning officer, considering just this one loan, may have little or no conception of the limitations of the reserve. Or perhaps he does understand this, but the making of this particular loan does not involve any such consideration. The merits of this loan are his only concern.

However, somewhere in the bank, officials are keeping tabs on the actual reserve and the required legal reserve, and if the actual ratio is less than the required, they sell bonds on the open market or to the Federal Reserve Bank, or they borrow at the Federal Reserve or rediscount with it, and add the proceeds to the bank's legal reserve. This can

Continued on page 44

INDEX

Articles and News

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Arizona—the "Z" Is for Zoom

By IRA U. COBLEIGH
Enterprise Economist

A brisk look at Arizona through a kaleidoscope of Kilowatts —to be specific Arizona Public Service Company.

When it comes to population growth, Arizona is our number one state. A sunny climate, comfortable winter temperatures, warm by day and cool by night, the right degree of humidity—all these ingratiating meteorological qualities have operated to make Arizona not only the most popular state among the pension and retirement set, but mighty attractive to younger folks looking for prosperity, progress and health to be enjoyed in winsome weather. Not only does Arizona lead in expansion of population; it also is tops in rate of rise in retail sales, farm income, bank deposits and, for today's discussion, electric power consumption. For fanciers of growth in our economic scene, you'll hardly find a fancier example than Arizona.

Ira U. Cobleigh

But we digress. We are going to talk about Arizona Public Service Co. and that we will. It's a first rate utility by any standards. Formed as a merger in 1952, of Central Arizona Light Co., and Arizona Edison Co., it now serves 270,000 customers and produced total operating revenues in 1954 of $34,548,000. This income was divided into 72% electric, 25% gas and 3% from water and miscellaneous sources. Fanning out from Phoenix, the facilities of this forward looking utility spread from the Grand Canyon on the North, down to Douglas; and from the Painted Desert in northeastern Arizona, across to Yuma on the Colorado River. Altogether, Arizona Public Service covers 40,000 square miles in 10 (out of 14) Arizona counties, making its products available to about 62% of the state's population. Quite a company, in quite an area.

While the rapidly increasing popularity as a residential and a resort state (2 million visitors a year bringing in $160 million in tourist income) is well known, the magnitude of its industry is perhaps less appreciated. Agriculture ranks number one, bringing in $350 million in 1954. Cotton leads, followed by livestock, vegetables and citrus fruits. $275 million in gross income was racked up last year by manufacturing, with substantial plant expansion in the area by AiResearch, Reynolds Metal, Royal Manufacturing Co. and Motorola. Copper production, for which Arizona has long been famous, put mining in third place with $263 million and with all the uranium mining and milling now under way, mining might even move ahead of manufacturing in 1955.

All this background in economic geography has been presented to both explain and justify the rapid expansion of facilities of Arizona Public Service. Since 1945, $113.6 million have been spent on new construction—$26.6 million last year alone. The biggest recent outlay was the new 200,000 kilowatt generating unit at Red Rock, half the capacity going into service July 1, 1954 and the other half juicing up the transmission lines some time this summer. This construction will bring electric generating capacity to above 500,000 k.w. with the company producing perhaps around 75% of its needs, and buying the rest.

Gas distribution is made up of natural gas supplied, and brought in by pipelines from New Mexico and Texas, by El Paso Natural Gas Company. About 125,000 gas customers are served.

The water service is principally to the City of Yuma, piped from the Colorado River.

A look at the gross earnings curve is rewarding. In the ten year period 1945-54, operating revenues advanced remarkably from $9,335,000 to $34,548,000 (1954). The corresponding expansion of net income after taxes in the same time interval is equally interesting — from $1,095,000 to $4,589,000 in 1954. Also in the same decade, common dividends rose from $594,000 to $2,376,000. It is growth of this order that tabs Arizona P. S. as probably the most rapidly growing major American power and light enterprise.

To finance the related enlargement of plant, substation and distribution facilities at such an accelerated rate, Arizona has offered at regular intervals its bonds and shares to a receptive public. Two issues of common stock were offered in 1953 and, last year, $15 million in bonds and $7½ million in $4.35 preferred stock were swiftly placed, mainly with institutional investors. As a result of these flotations, capitalization is now about 55% in bonds, 16% in preferred and 29% in common stock. The 2,640,000 common shares traded over the counter now sell about 24 and assuming a $1 dividend for 1955, the yield is just a bit above 4%. This is a little below average return for an electric stock, but can be quite easily explained by the historic growth rate of the property. In any event, Arizona P. S. has a large and growing family of shareholders, 18,800 at last count, 25% Arizona residents.

Just climate, population and territory alone would not be enough to account for the sustained and well balanced progress of this enterprise. Management has counted for a lot. This is evidenced not only by the long range plant expansion cited above. It is shown by fine employee relationship, nurtured by a merit system for advancement, a complete program for hospitalization, group life insurance, pension, and stock purchase through payroll deduction. As a result, over 20% of the 2,244 employees have been with the company for more than ten years.

Management, too, should be credited for business promotions which added $5 million in new business last year, generated in part by 16 electric appliance shows throughout the State. This company was, in fact, cited by General Electric for its 1954 "More Power to America" award, given each year to the utility that does the best job of promoting industrial electrification.

The much heralded and prophesied use of atomic reactors for electric generation is not being neglected at Arizona P. S. Co. This company with eight others in the region, formed in 1954 the Rocky Mountain Nuclear Power Study Group to project a plan for a nuclear power reactor in the Southwest. When power is atomically produced, Arizona will be in there switching! Solar power, too, is being explored with Mr. Henry B. Sargent, President of the company, heading up the Association for Applied Solar Energy.

Some adverse talk about Arizona is occasionally heard respecting possible water shortage. The present supplies appear quite adequate, and if the state wins its legal battle with California over claimed diversion of the water flow of the Colorado River, then Arizona will have a much enlarged water reservoir.

Just another note about the progressive attitudes in the State of Arizona may prove of topical interest. You scarcely think of Arizona as a seaport state; yet there are certain plans afoot that might bring, with perhaps only one lock, a northward extension from the Gulf of California, creating a seaport in Southwestern Arizona. To the quotation "the desert shall blossom like a rose" may be added "the desert shall blossom into a harbor!"

In any event, Arizona seems a pretty good section for a utility to operate in; and for those seeking to switch out of volatile market issues into one offering greater stability; or seeking a new investment involving a quite predictable amount of growth, a stock like Arizona Public Service common might perhaps fill the bill. Arizona is a zooming state. You still have time left in the winter season for a visit there; perhaps to Phoenix where are located some of the swankiest resorts in America. Their swimming pools are pumped and lighted by Arizona Public Service!

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ronald L. Cummings has been added to the staff of King Merritt & Co., Inc., 1151 South Broadway.

The State of Trade and Industry

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

There was no significant change in over-all industrial output for the nation-at-large in the period ended on Wednesday of last week, notwithstanding the fact that major advances were scored in construction activity. When compared with the like period a year ago total production for the week was close to 9% higher.

With respect to the nation's employment situation, continued claims for unemployment insurance benefits in the week ended March 5 were 19% below a year ago; new claims in the week ended March 12 dropped 29% from the comparable week in 1954. Factors contributing to these declines included the continued improvement of the apparel industry, an increase in outdoor activities, recalls to work in the primary metals and transportation equipment industries and the exhausting of benefit rights by some claimants.

A report from the United States Department of Commerce states that industry currently plans to moderately increase its expenditures for new plants and equipment. This anticipated gain plus expectations of higher retail and wholesale activity testify to confidence in the economic outlook in the months ahead.

Steel demand is approaching its seasonal peak and indications are that the market buildup, spurred by pressure from virtually all industry, will hit its high point in April, states "The Iron Age," national metalworking weekly this week. Ingot rate will reach 96%, perhaps 97% of capacity before leveling off.

The basis for this short-term outlook is the terrific demand from automotive companies in the critical production period just ahead. The car makers underestimated the strength of the new car market and are trying to make up for lost time.

Meanwhile, automotive pressure has created tense feeling among steel consumers. Everyone is clamoring to get his requirements on the books and from the mills as fast as producers can handle them. This will pitch steel production to near-record levels before the downturn comes, declares this trade journal.

A summer leveling off can be expected. But on a seasonally-adjusted basis it probably will indicate an improvement and continuation of the recovery movement.

There will be another upturn following the summer breathing spell. The strength of the market rests on such a broad base that another surge is just about certain in last half of the year, "The Iron Age" points out.

Along with automotive, construction, oil and gas, and containers, the farm market is moving up strongly. Despite lower commodity prices and reduced purchasing power, the farmer is buying because he needs steel and steel products. Last year he was virtually out of the market.

In some products there definitely will be carryovers from second into third quarter. Some mills already are talking about extensions of up to three weeks. over scheduled delivery after April 15, continues this trade authority.

Steel and automotive labor are having an influence on the market. The outcome of auto labor negotiations are uncertain at the moment. In steel the odds favor peaceful settlement of forthcoming talks between the industry and the United Steel Workers.

Concluding, this trade magazine observes that the chances are negotiations in steel will wind up with a moderate wage increase followed by a compensating price boost.

In the automotive industry, new all-time peaks set by United States-Canadian car and truck manufacturers two weeks ago were due to be eclipsed the past week as most producers endeavored to satisfy customer orders and meet anticipated marketing demand.

"Ward's Automotive Reports" said that the March 21-26 programming indicated new records in these categories:

(1) U. S. passenger car production—177,843 against previous week's all-time high of 176,194; (2) combined U. S. car and truck volume of 204,692 units, compared to a mark of 201,503 set two weeks ago; (3) Canadian car production of 10,310 units, erasing preceding week's crest of 9,872; (4) U. S. and Canadian car output of 188,153 units, bettering the 186,066 volume reached during March 14-19; and (5) a combined peak of 216,777 cars and trucks from United States and Canadian plants. The all-time top point was reached two weeks ago when 212,776 vehicles were built.

In addition, combined Canadian car and truck construction could reach a new record in the latest week. Programmed are 12,085 units, while the all-time high is 12,094 obtained during the week ending May 2, 1953.

The current production pace finds United States output of cars and trucks in 1955 (2,239,036) running 37% above like 1954 (1,629,289). Car volume (1,997,698 to 1,358,573 last year) is up by 47%, while truck output (241,338 to 270,716) is lagging by 11%.

United States manufacturers, meantime, expect to build 786,000 cars—a new monthly record—and 104,000 trucks in March, bringing combined United States car and truck production to a new quarterly height of 2,379,000 jobs. Included in the aggregate is the top quarterly car output (2,121,000); previous peak had been 1,898,783 in July-September, 1950, when the record combined car and truck schedule (2,249,284) was tabulated. The top monthly car total thus far was reached in June, 1950 at 720,100 vehicles.

Steel Operations Set This Week At 93.6% of Capacity

Steel demand and production are exceeding many expectations, says "Steel," the weekly magazine of metalworking, the current week. Now that the first quarter is almost over, what is ahead for the rest of the year?

Production will continue to rise in the second quarter, decline in the third and rise again the fourth, states this trade magazine. Continuing, it says, the year's output of steel for ingots and cast-

Continued on page 46

Observations . . .

By A. WILFRED MAY

"A Little Knowledge a Dangerous Thing"

Applauders of the results of the Fulbright Study of the Stock Market are concentrating their enthusiasm on the alleged "educational" fruits of the proceedings. But to us the inference about education via the sessions in the Senate Office Building is completely fictitious; the real fact being that these hearings have affirmatively confused the inexpert members of the Congress, left the lay public bewildered and/or misled them via the newspaper accounts, and beclouded for the future the proper purpose and course of any Congressional Investigation into this area. (In this connection it should be recalled that at the start of the epochal Stock Market Investigation in 1933 Mr. Pecora succeeded in getting a clear line of direction with adequate authority only as a result of the prior protesting withdrawal of Irving Ben Cooper.)

A. Wilfred May

As anticipated in this space, both direction to the present inquiry and the basis for further Congressional exploration would have gained by having scheduled the SEC's Chairman as the first witness rather than almost as an after-thought. This would have done much to clarify the issues and establish their framework.

Basic Clarification

When the Commission's spokesman finally did appear before the Senators, he pointed out that basically the SEC has power to provide a free and unmanipulated market; and that accordingly the Securities Exchange Act of 1934 was essentially directed against specific abuses. He explained that the existing legislation, except for the provision for margin requirement, did not provide any check on the popular will to speculate; that the Act leaves the individual perfectly free to go into the market place, if he so desires. In fact, the restoration of investors' confidence has been one of its affirmative aims.

Also, during the Chairman's occupancy of the witness chair—at the hearings' penultimate session—he very aptly classified the several underlying legislative policies on which the securities laws are based, as follows:

(1) The requirement for disclosure.

(2) Prohibition of unlawful acts.

(3) Imposition of civil and criminal liabilities and penalties.

(4) The exercise of administrative and regulatory powers by the Commission; and

(5) Self-regulation by national securities exchanges and registered associations of securities dealers.

While the "educational" value of these basic explanations by Mr. Demmler was in any event negated by the sparse attendance on the part of Committee members as well as by its skipping by the press, they could have been constructively used at the beginning of the proceedings for essential clarification and framework for the ensuing fortnight of discussion.

More Mis-Timing

Likewise achievable by better programming would have been the opportunity to consider as a basic assumption of the entire "Study's" agenda, Mr. Demmler's enunciation of the Commission's considered conviction that the securities markets are not being manipulated in contravention of the Act; along with the information developed that the recent years' rises, which incited the Study, have not entailed any increase in abuses. Surely receipt of this official information at the outset would have been invaluable at least in fixing the area of subsequent discussion.

Likewise deserving basic consideration at this or possible future investigations—at least as a point of departure — was this statement by the SEC's Chairman: "I have no recommendations to make either for additions to or subtraction from the Commission's powers over manipulation. I point out, however, that the inherent complexity of the subject is one which will continue to challenge the best efforts of the Commission and of the governing authorities of exchanges and securities dealers associations."

Also basic to a genuine investigation—in contrast to the pleasant but superficial and uncoordinated discussion that took place — would have been a thorough weighing of the relationship regarding injury or fraud between State law, Federal law, recourse to State and Federal Courts, the SEC, and the State Commission; with inspection overhanging by one of the inpecting agencies, namely an exchange, the NASD, State authority or the SEC.

That Nettlesome "Government Guarantee" Inference

Again a matter which merits much greater consideration than the cursory mention made of it at the hearings' end is the chronic misapprehension about the *raison d'etre* of the SEC and the balance of Federal regulation, and the need to counteract the seemingly irrepressible inference of a stamp of government approval; and specifically to make it clear that disclosure does not even automatically eliminate unreliable information or the possibility of undisclosed abuses; that the SEC does not audit the accuracy of disclosures.

This difficulty of disillusioning the public about "government guarantee" has been constantly cited by the Britishers concerned with their Companies Act as the chief reason for their reluctance to follow our comparative stringency in financial regulation. Unfortunately the Fulbright doings have accomplished little in public education on this question here, or in seriously weighing the resultant regulatory policy to meet the problem.

Institutional Participation "Problem"

A phenomenon tentatively brought up throughout the Hearings by Senator Lehman is the growth in institutional and group buying. The buying of equities by insurance companies, savings banks, commercial banks and pension funds, whose available moneys now amount to $66 billion, or 28% of the value of all the securities traded and listed on the New York securities markets, have incited expression of the following fears:

(1) That these large purchasers continuously and increasingly reduce the available supply of certain securities, thus limiting the freedom of the market, and intensifying its vulnerability to manipulation.

(2) That through these group purchases, which are made by relatively few companies, it would not be difficult for these groups to gain control of our industrial, commercial and railroad and banking concerns, and thus take over their operation.

(3) A general objection to their lessening the supply of common stocks.

(4) That their income tax exemptions may constitute inequity.

The Other Side of the Question

On the other hand, in defense of institutional investment participation much can be said, as Senator Lehman very broadmindedly agrees, as for example:

(1) Particularly germane to a market study is their advantage in up-grading market participation through their informed activities and long-term holding with an investment attitude; and hence furthering the Committee's own professed desideratum of reducing the volatile speculative element.

(2) It should not be assumed that the mere fact of their possible exercise of control is *per se* an evil, without explaining why control by these institutions is less in the public interest than our existing system under which real control lies in non-owning self - perpetuating management through the default by the scattered inarticulate owning stockholders.

(3) The attachment of abuse to mere reduction in the *supply* (unlimited?) of stocks here, as has recurred throughout these hearings, seems absurd. If price goes up as the result of a changed demand-supply ratio in a free market, that is fine! (During bear markets, the complaint is always about *under-demand.*)

(4) With taxation, including capital gains, payable by the ultimate recipients in the ordinary course, the tax favoring is not as marked as is often supposed.

(5) Under the Investment Company Act of 1940, sec. 14 (b), as this column has pointed out, there is an effective prohibition on the funds' exercise of control through size. The SEC is now studying the process in the case of groups outside of the funds' area; of which the Senate Committee was unaware until the closing hours of the hearings.

This question of institutional control assuredly is intimately bound up with that broad and basic problem of the divorce of corporate ownership from control, whose ramifications received the most scanty cognizance from the Committee.

Question Ripe for Exploration

A variety of other pending questions germane to the Study called for thorough exploration. Among these was a conclusion of some kind due about the philosophy of the Frear Bill, which proposed legislation would subject companies with 300 or more security holders and with $3 million of more of assets to the reporting, proxy solicitation and inside trading and liability provisions of the Securities Exchange Act. Introduced in the 79th, the 81st and the 82nd Congress, it is still up for action there. Chairman Demmler was of no help in "educating" the Committee here, refusing to express any opinion whatever on the merits or demerits.

A kindred question meriting but receiving no attention, is the incongruous situation ensuing from the issues still preferentially enjoying unlisted trading privileges on exchanges while escaping some of their important corporate obligations—the subject of a memorandum by this writer read into the record by Staff Director Wallace at the request of Senator Lehman during the questioning of Mr. Demmler.

And the currently controversial but timely and urgent question of proxy rights and administration was glossed over, in conformity with the SEC's contention that it is a matter on which the Congress should declare its intent.

On the thoroughly relevant questions of the restrictions on short-selling and on selective margin control as advocated by Mr. Eberstadt, and on insider-trading, Mr. Demmler refused to render any opinion whatever; and the Senators are not receiving any "education" elsewhere. Surely these situations, along with others cited above and by us in previous articles, deserve as much questioning as that actually aired on such vicarious items as automobile pricing, monopoly, the profits of defense industries, the welfare of the farmer and even the position of the market!

Instead of "education," the Study in many facets has been affording merely "a little knowledge—a dangerous thing."

COMING EVENTS

In Investment Field

April 4-8, 1955 (Philadelphia, Pa.)
Institute of Investment Banking at University of Pennsylvania.

April 21, 1955 (New York City)
Association of Customers' Brokers anniversary dinner at the Sheraton Astor Hotel.

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

Apr. 28-29, 1955 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

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

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

May 13, 1955 (Baltimore, Md.)
Baltimore Security Traders Association Annual Spring Outing at the Country Club of Maryland.

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

June 3, 1955 (New York City)
Bond Club of New York annual field day at the Sleepy Hollow Country Club, Scarborough, N. Y.

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

"Railroad Kernels"

By WILLIAM WHITE*

President, The Delaware and Hudson Company

Enumerating "kernels of railroad progress," Mr. White mentions: (1) big reduction in debt and fixed charges; (2) increase of investment in railroad property by as much as 70% since World War II; (3) gains in railroad efficiency; (4) keeping increases in railroad rates below wage increases; (5) vast improvements in equipment, particularly in Diesel engines, and (6) a continuing research for better operating techniques. Cites as major railroad problems: (1) large part of the revenue dollar now paid in employment costs; (2) passenger service deficits, and (3) legislative and regulatory curbs which handicap competitive position of rails.

Fifteen months ago I spoke in an optimistic vein about the railroads and I am still optimistic. In many respects I have more reason today to feel optimistic than at that time—because as a whole the railroads did a pretty good job in 1954 in demonstrating an ability to reduce their expenses and improve their operating efficiency when their revenues dropped, as they did last year—for some as low as 10% and for some as high as 20%.

William R. White

I do not mean to imply that the railroads had a good year in 1954, because measured by rate of return it was not a good year, but those individual railroads of which I have knowledge—and they now comprise quite a few—did not suffer much impairment in working capital nor quick assets. True, costs to a large extent were reduced at the expense of maintenance, but I consider that to be perfectly legitimate, and especially so on those railroads where the physical condition of the property built up over a period of postwar years made it possible. If in some cases maintenance expenses were cut more than justified by the physical condition of the property, the "piper" will of course have to be paid.

It is always a difficult problem to decide what to talk about to an audience as well informed as mine, and usually there is a certain amount of impatience on the part of one's host to find out what the subject of a speaker's talk is going to be. So, having been pressed somewhat in this regard, I said I would talk about "Railroad Kernels" because that implies that I will speak rather generally and try to convince you that my optimism with respect to the railroads is not without its justification.

Railroads Have Made Progress

To go back over a period of years, we find that, despite the constant growth of competitive forms of transportation and certain handicaps resulting from inability to compete on a fair and equal basis, the railroads have made considerable progress, even though they handle now only about 50% of all interstate freight and about one-half the paid interstate passenger business.

In this connection it must be borne in mind that although these figures indicate a relative decline in the available business, it does not mean that railroad peacetime traffic volume is smaller than before. Measured in terms of passenger miles and ton miles, we find that passenger volume by rail is about as much as it was in 1926, and freight volume ranges from 25 to 40% greater, but in the interim the economy has grown much faster and the ratio of railroad traffic to national production has declined.

Now to get back to progress the railroads have made over a period of years. What is it? Let me enumerate briefly.

(1) Big reduction in debt and fixed charges. Since 1929 funded debt, not including equipment obligations, has decreased from a little more than \$9.5 billion to \$6.5 billion, and fixed charges have gone down from \$680.5 million to about \$405 million per year. Fixed charges today are at a level that could be covered with something to spare by even the low earnings of 1932.

(2) At about the time of World War I railroad mileage had grown to about its greatest point of expansion. While there has been a 12% decrease in railroad mileage since then, investment in property has increased some 70% and a very large proportion of that investment has occurred since World War II. But notwithstanding large sums that have been poured into the property, railroad capitalization is only about \$70,000 per mile, while investment per mile is about \$145,000. So that whatever may have been true about "water" in the old days, there is none in railroad capitalization now.

(3) Large gains in efficiency factors. The average freight train today handles 1,300 net tons, against 800 tons in 1929. In the same period the average freight train speed has increased from 13 to 18 miles an hour, and that takes in all kinds of freight trains. Freight cars, on the average, move 12 miles more per day than they did in 1929, even though they still move too slowly because of the amount of time spent in terminals and in loading and unloading. And in the all important figures of gross ton miles per train hour, there has been an increase from 25,000 to 52,000.

These figures, of course, have to do with transportation, but let's take ton miles per employee (and that means all railroad employees). We find that in 1929 there were 269,000 ton miles handled per employee and over 500,000 in 1954.

And here is another illuminating factor. In 1953 the railroads handled 36% more ton miles than they did in 1929 and did it with an ownership of about 22% fewer freight cars. They handled slightly more revenue passenger miles in 1953 than they did in 1929 and they did it with 18,000 (34%) fewer passenger cars.

(4) Wages have increased in the postwar period about 125%, and although freight rate increases aggregating about 80% have been authorized since the war, subsequent adjustments and hold-downs on various commodities result in revenue per ton mile having advanced only 47%, making railroad freight transportation one of the cheapest things that can be bought in this country when the increase in price is compared with the increases in prices of commodities and services generally.

(5) Improvements in the art of railroading too numerous to mention, such as the economy of the Diesel compared with the steam locomotive, larger and better freight cars, improved signaling and communications, better track structure, improved maintenance practices, and mechanization. These are, of course, all things that have happened in industry generally, but they prove that railroads are just as dynamic as other industry.

(6) Last and by no means least, greater emphasis and continuing research for better techniques, better equipment, better service, better safety, and more profit, and all at the lowest possible cost to the public.

Three Major Railroad Problems

I would not leave you under the impression that there are not railroad problems. We dare not look through rose-colored glasses; our vision must be clear. Despite the improvement in efficiency and service that has taken place, there are still three major problems that confront the industry and which affect various railroads in varying degrees. To some extent the three problems are inter-related. Without attempting to enumerate them in the order of their importance, I would simply say that they are:

(1) The large percentage of the revenue dollar that is required to pay employment costs, and that includes not only wages and wage taxes, but also so-called fringe benefits such as vacations, health and welfare insurance, unemployment insurance and so-called penalty payments under wage agreements that are sometimes referred to as "featherbedding."

(2) The deficit resulting from

Continued on page 24

*An address by Mr. White before the Investment Association of New York, New York City, March 25, 1955.

A Look Back and Ahead for Business

By IRA T. ELLIS*

E. I. du Pont de Nemours & Company

After characterizing 1954 as a year of readjustment from war toward peacetime conditions, with defense spending still at a high level, Mr. Ellis sees 1955 as a continuation of business improvement from the low level of 1953. Estimates industrial and mining output in 1955 at 5% better than last year, but looks for "some hesitation in the second half." Concludes, "in spite of expected improved business activity, there will be plenty of work for credit men in 1955."

It is always a pleasure to talk with groups of businessmen because the business outlook is determined by what you think and what you do. Business will be what you make it. That is another way of saying that probably the most important factor in the business outlook is business confidence.

Ira T. Ellis

This statement is especially true today because we are operating in a world nominally at peace. There is no organized warfare going on anywhere in the world. Although Federal spending for defense is still high, it is sharply lower than it was in 1952, or 1953, or 1954. Business stimulation today depends even more on private spending by individuals and businessmen than has been true for several years. In spite of the relatively large growth in government activities over the past 15 years, all levels of government still absorb less than one-quarter of the total output of goods and services in the country. In 1939, incidentally, they absorbed around one-seventh. Spending for national security largely accounts for the increased importance of government since 1939.

The 1954 Background

Before presenting estimates for the year 1955, let us take a quick look at the year 1954 for background. The business activity rate for 1954 averaged about 7% below 1953, based on industrial production—the output of manufacturing and mining in physical terms. Gross National Product—the value of all the goods and services produced in the country—was down only 2%. The principal outlets for production in the country are consumer spending, about 66% of the total; government purchases, about 22%; and investment, 12%. Consumer spending, the construction portion of investment, and purchases of state and local governments made new highs in 1954, in both dollars and in physical terms, reflecting the shift in demand from war materials toward peace-time goods and services.

The decline between 1953 and 1954 occurred principally because of reduced defense expenditures and reduced inventory investment. Between the third quarter of 1953 and the fourth quarter of 1954, Federal expenditures for defense fell from an annual rate of \$52 billion to \$41 billion. During the third quarter of 1953, business inventories — manufacturing, wholesaling, and retailing —**rose** at an annual rate of \$2.0 billion, but in the third quarter of 1954 they **fell** at an annual rate of \$4.8 billion. There were also small declines in purchases of automobiles and other durable goods bought by consumers, partly because of income declines. Business expenditures for plant and equipment were reduced some 6% from 1953 to 1954, partly because the big industrial build-up after Korea—the defense program—was over the hump.

Total employment in the country in 1954 averaged about 61.2 million, down about 1.0 million, or 1.6%, from 1953. Prices, particularly non-farm prices—representing largely semimanufactured and manufactured goods — remained steady in 1954. They rose only 0.3% from December 1953 to December 1954. There was little distress liquidation of inventories. Total business inventories were reduced around 4.4% during the year, but the reduction was orderly. Inventories were permitted to run off to bring them into proper relation with the reduced rate of sale.

Construction was a strong support in the economy throughout 1954. Total construction expenditures for the year are estimated at \$37 billion, up 5% from 1953 to a new high. Residential construction and highway construction were up 12%. Commercial construction and school construction were up 20%. In contrast, industrial and farm construction were **down** 10%.

Business activity rose significantly in the last quarter of 1954, based principally on the model change in automobiles, continuing strength in construction, improved demand for textiles at all levels from manufacturer through retailer, and less inventory decline than had occurred in recent quarters. Weekly output of steel rose about 30% between August and December, using the non-holiday weeks in December. Automobile production was low during September and October because of model changes. As a result, new car inventories in dealers' hands at the end of October were at the lowest point since the steel strike interfered with production in September 1952 and at about half the level of October 1953. Automobile and truck production rose sharply from 57,000 in the third week of October to 174,000 in the third week of December. Housing starts rose each month from May through December, and each of these months was highest for the year up to that time, seasonally adjusted.

In short, the year 1954 was a year of readjustment from war, or preparation for war, toward peacetime conditions, with defense spending remaining at a high level. Federal cash spending, as distinguished from budget expenditures, during the calendar year 1954 was reduced \$6.5 billion below the 1953 total. Federal cash receipts from the public were reduced only \$1.5 billion in the year, since full effect of the tax revision bill in 1954 will not be felt until 1955. Private spending for consumption and for construction increased in 1954, as did spending by state and local governments—largely for schools and roads. The year 1953 ended with business declining. The year 1954 ended with business rising.

High Level of Business Activity In Europe

Incidentally, a very high level of business activity also currently

Continued on page 32

*An address by Mr. Ellis before the Synthetic Organic Chemical Manufacturers Association, New York City, March 9, 1955.

The Stock Market Situation

By BENJAMIN GRAHAM*
Chairman of Graham-Newman Corporation
(a registered investment company)
Adjunct Professor of Finance,
Graduate School of Business, Columbia University

Mr. Graham analyses the present level of stock prices based on relationship between price and value, and causes of the market's rise; and suggests methods of controlling excessive speculation. Maintains that while stocks are not as high as they look, nevertheless on the basis of various quantitative criteria the prudent investor should lighten his holdings. Asserts the fundamental reason for the market rise since September 1953, was the swing from doubt to confidence, with public's emphasis concentrated on opportunities rather than risks in common stocks. Contends that net result of possible abolition of capital gains tax cannot be foretold, suggests President might be given power to make changes in effective rate, within specified limits.

This statement will address itself mainly to three points:

(A) The present level of stock prices from the standpoint of the relationship between price and value.

(B) Causes of the rise in the market since September 1953.

(C) Feasible methods of controlling excessive speculation in the future.

(A)

The Present Level of Stock Prices

Common stocks look high and are high, but they are not as high as they look. The market level of Industrials stock is far above the 1929 high as shown by the Standard & Poor's index of 420 Industrials. (The present figure is above 300 as compared with the 1929 high of 195.) The Dow-Jones Industrials Average at about 410 is now only moderately above its 1929 high of 382, but the difference would be much larger except for the substitutions made in the Average. However, the railroad and utility issues as a whole are well below their 1929 highs.

Benjamin Graham

The true measure of common stocks values, of course, is not found by reference to price movements alone, but by price in relation to earnings, dividends, future prospects and, to a small extent, asset values.

Present concepts of common stock valuation turn largely on estimating average future earnings and dividends and applying thereto a suitable capitalization rate or multiplier. Since these elements are all matters of prediction or judgment, there is room for a wide difference of informed opinion as to the proper value for a single stock or group of stocks at any time. Uninformed or speculative opinion will, of course, cover an even wider range as the market swings from the depth of pessimism to the heights of optimism.

As a guide to identifying the present level of stock prices in the light of past experience, I have made two sets of comparisons—one relating to the Dow-Jones Industrial Average, the other to General Electric, a component of that Average and an outstanding "blue chip" issue. I have related the present prices and the high prices in 1929, 1937 and 1946 to earnings of the preceding year, the preceding five years and the preceding 10 years. This information, together with certain other data, appears on the appended table.

*Mr. Graham's statement at the Hearings on the Stock Market Study before the Committee on Banking and Currency, U. S. Senate, March 11, 1955.

The Dow-Jones Industrials are now at a lower ratio to their average earnings in the past than they were at their highs in 1929, 1937 and 1946. The same applies to General Electric as an individual stock. It is clear that the issues referred to—which may be considered as reasonably representative of the larger Industrials as a whole—have a considerable way to go before reaching the ratios shown at their former tops. It should be pointed out also that high-grade interest rates are now definitely lower than in previous bull markets except for 1946. Lower basic interest rates presumably justify a higher value for each dollar of dividends or earnings.

Much has been made of these relationships as indicating that the market is still on safe ground. However, such comparisons fail to take into account the extent of the subsequent declines from past bull market highs. Since the Dow-Jones Average lost 90% of its price from 1929 to 1932, it is evident not only that 381 was much too high in 1929, but that the market had entered dangerous ground at a point far below that figure.

I have found it useful to estimate the "Central Value" of the Dow-Jones Industrial Average by the simple method of capitalizing 10-year average earnings at twice the interest rate for high-grade bonds. This technique presupposes that the average past earnings of a group of stocks presents a fair basis for estimating future earnings, but with a conservative bias on the low side. It also assumes that by doubling the capitalization rate presented by high-grade bonds, we allow properly for the differential in imputed risk between good bonds and good stocks. Although this method is open to serious theoretical objections, it has in fact given a reasonably accurate reflection of the Central Value of Industrial common stock averages since 1881. It may be interesting to note that the Central Value found by this method in 1929 was 120, which happens to be about the geometric mean between the high of 381 and the subsequent 1932 low of 41. Similarly, the Central Value in 1936 was 138 (higher than in 1937) and this proved to be about the mean between the 1937 high of 194 and the low of 99 in 1938.

A Reassuring Measure

This mechanical method applied to the situation in the beginning of 1955 yields a Central Value for the Dow-Jones Industrials of 396, or only slightly under their present value. Such a figure, if reliable, would have to be regarded as rather reassuring. It would indicate that the market in terms of value is no higher now than it was in early 1926, or in early 1935, or late 1945. However, the validity of this Central Value figure may be open to question if we observe that the 10 years ending in 1954, used to obtain average earnings, did not include any period of real depression. In a sense, therefore, the soundness of this appraisal of Central Value is bound up with our ability to escape serious business depression in the future as we have in the recent past. It is probably fair to say that the market is not too high today if we have really managed to lick the business cycle.

Although such a development would involve a revolutionary break with the past, I am not prepared to deny its possibility. There is some reason for concluding that in the future serious depressions will be prevented, if not by the natural vitality of American business, then by governmental intervention and possible inflationary moves. The above analysis is by no means unfavorable to the present level of stock prices. However, in reaching my over-all conclusion on the subject, I am inclined to hark back to the analysis I made of the stock market in October, 1954, at a time when the Dow-Jones Average stood at 185. (This was published in "The Commercial and Financial Chronicle," Oct. 18, 1945.) I should like to quote intact the Summary appearing at the end of that article and state that it expresses my view with respect to the stock market today.

"The three different approaches used in judging the present level of stock prices have yielded diverse indications. From the first, or historical approach, the market appears distinctly on the high side and vulnerable to a substantial setback. Contrariwise, our second category—that of appraisal based on figures and formula—about supports the present level, and suggests that the familiar bull market enthusiasm might well carry prices considerably higher. Our third approach, through guesses and projections as to future developments, supplies plenty of material but no definite verdict.

"What is the net significance of this analysis for the speculator and the prudent stock investor? Let us define the speculator as one who seeks to profit from market movements, without primary regard to intrinsic values; the 'prudent stock-investor' as one who (a) buys only at prices amply supported by underlying value, and (b) who determinedly reduces his stock holdings when the market enters the speculative phase of a sustained advance.

"This speculative stage, we are convinced, is now at hand. Hence, the principles of the prudent investor will require him to lighten significantly his holdings of common stocks — the precise selling policy to depend, of course, on his individual position and methods. For the stock speculator we can say little that is helpful. We think he has a fifty-fifty chance

Continued on page 22

Dealer-Broker Investment Recommendations & Literature

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

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

Comparative Bond (Canadian) Yields 1948-1954—Bulletin—McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto, Ont., Canada.

Department Stores—Brief analysis of outlook—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also available in the same bulletin are data on **Minnesota & Ontario Paper, Wilson, and Clevite.**

Electrical Equipment Shares—Brochure—Slayton & Co., Inc., 408 Olive Street, St. Louis 2, Mo.

Ethical Drug Stocks—Analysis—with particular reference to **Chas. Pfizer & Co., Inc., Merck & Co.,** and **Parke, Davis & Co.**—E. F. Hutton & Company, 61 Broadway, New York 6, New York.

Foreign Investments Though the Japanese Stock Market—In current issue of "Weekly Stock Bulletin—The Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-chuo, Nihonbashi Chuo-ku, Tokyo, Japan.

Investing in the Electronic Age—brochure—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

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

Latin American Business Highlights—Petroleum Progress—Chase National Bank of the City of New York, Pine Street corner of Nassau, New York 15, 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.

Prefabricated Homes — Industry forecast for 1955 reprinted from PF—The Magazine of Prefabrication—United Capital Company, 129 North Virginia, Reno, Nev.

"Report to Our Clients" — Review of proxy solicitation and stockholder relations activities—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Steel Industry in Japan—Analysis in "Monthly Stock Digest" —Nomura Securities Co., Ltd., 1-1 chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan and 61 Broadway, New York 6, New York.

Summer Refreshers—Analysis of beverage industry with particular reference to **Coco-Cola, Pepsi-Cola, Canada Dry Ginger Ale, Anheuser Busch** and **Pabst Brewing**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **White's Auto Stores, Inc.**

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 Fidelity & Casualty Company—Analysis—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

American Machine & Foundry Company—Progress report—American Machine & Foundry Company, 261 Madison Ave., New York 16, N. Y.

Baltimore and Ohio Railroad—Analysis — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Bankers Trust Co.-Public National Bank & Trust Co.—Memorandum—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Basic Refractories, Inc.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Beneficial Loan Corporation—Annual report—Beneficial Loan Corporation, Beneficial Building, Wilmington, Del.

Bird & Son, Inc.—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Bonanza Oil & Mine—Report—L. D. Friedman & Co., Inc., 52 Broadway, New York 4, N. Y.

Bowater Paper Corp.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available are memoranda on **Collins Radio Co., Consolidated Television & Radio Broadcasters, Inc.** and **Jack & Heintz, Inc.**

California Quicksilver Mines, Inc.—Bulletin—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Celotex Corp.—Memorandum—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y. Also available is a memorandum on **Fruehauf Trailer Co.**

Central Fibre Products Co.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Central of Georgia Railway Company—Bulletin (No. 188)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 189) on **Reading Company** vs. **Great Northern Railway.**

Chesapeake Industries, Inc.—Analysis—Gottron-Russell & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Colorado Oil & Gas Corp.—Memorandum—Rotan, Mosle & Co., Bank of Commerce Building, Houston 2, Texas.

Dallas Uranium & Oil Corporation—Card memorandum—Brereton, Rice & Co., Inc., First National Bank Building, Denver 2, Colo.

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

Equitable Life Assurance Society of the United States—President reports—Equitable Life Assurance Society of the United States, 393 Seventh Avenue, New York 1, N. Y.

Graham Bell Limited—Card memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Harvey Hubbell Incorporated—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Inspiration Consolidated Copper Co.—Data—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **Allegheny Ludlum Steel Corporation, Montana-Dakota Utilities Co.** and **Beaunit Mills.**

Kennecott Copper Corporation — Survey — Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are brief surveys of **Outboard Marine & Manufacturing Co.** and **Sylvania Electric Products,. Inc.**

Longhorn Portland Cement Company—Analysis—Russ & Company, Inc., Alamo National Building, San Antonio 5, Texas.

Magnavox Co.—Memorandum—Bache & Co., 36 Wall Street, New York 5, N. Y.

Mid Continent Uranium — Report — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Oilgear Company—Report—Loewi & Co., 225 East Mason St., Milwaukee 2, Wis.

Olin Oil & Gas Corporation — Analysis — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Olin Mathieson Chemical Corporation—Annual report—Offices of the Assistant Secretary, Olin Mathieson Chemical Corporation, 12 Light Street, Baltimore 3, Md.

Pittsburgh & West Virginia Railway Company—Bulletin—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Public Service Co. of North Carolina—Memorandum—Harrison & Co., 123 South Broad Street, Philadelphia 9, Pa.

Quebec Lithium Corp., Ltd.—Study—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a bulletin on **General American Transportation Corp.**

Southern Natural Gas Company—Annual report—Secretary, Southern Natural Gas Company, Watts Building, Birmingham, Ala.

Southern Production Company, Inc.—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Southwestern Electric Service Company — Analysis — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Tide Water Associated Oil Co.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 5, N. Y.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of March 24, 1955, are as follows:

Team	Points
1. Klein, Rappa, Farrell, Voccolli, Strauss, Cohen	31
2. Donadio, Hunter, Fredericks, Demaye, Saijas, Kelly	28
3. Mewing, Define, Gavin, Montanye, Bradley, Huff	28
4. Growney, Alexander, Eiger, Valentine, Burian, Craig	24
5. Meyer, Murphy, Frankel, Swenson, Dawson-Smith, Kuehner	20
6. Leone, Nieman, O'Mara, Forbes, Greenberg, Murphy	20
7. Krisam, Clemence, Gronick Stevenson, Weissman, McCloud	19
8. Bean, Meyer, Bies, Pollack, Leinhardt, Weiler	15
9. Kaiser, Hunt, Werkmeister, Kullman, McGovan, O'Connor	14
10. Manson, Jacobs, Siegel, Topol, Frankel, Tisch	14
11. Barker, Brown, Corby, Weseman, Whiting, Fitzpatrick	14
12. Serlen, Rogers, Krumholz, Wechsler, Gersten, Gold	13

200 POINT CLUB
WILBUR KRISAM 215

5 POINT CLUB
CHARLIE KAISER

Fulbright Market Investigation Took Wrong Track

April issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, says it would be more profitable to inquire into reasons for increased business confidence and best means of preserving it.

In an editorial discussion of the recent hearings before the Senate Banking and Currency Committee on stock market prices, the April issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, pointed out that "instead of asking the unanswerable question whether the stock market is 'too high,' it would be more profitable to inquire into the reasons for increased business confidence and the best means of preserving it.

"What the hearings have revealed," the editorial states, "is that the present situation, both in and out of the stock market, is very different from that in 1929 and preceding years. There are some superficial and mostly accidental similarities, but over against these are many significant differences. Not all of these differences are necessarily in favor of the present situation, but they are differences nonetheless. Nothing could be more hopeless than an attempt to establish a parallel between the two periods."

The editorial contends that, basically, a price advance so broad in scope as that of recent months "must be due primarily to an increase in the confidence of investors, a willingness to pay more for shares of ownership in American business in the belief that the shares are worth more. Investors must have been relieved at the mildness of the 1953-54 business recession and encouraged by the unexpectedly prompt and vigorous recovery in the last few months. They must have been reassured by the developing realization that governmental attitudes toward business are more friendly and sympathetic than they were during the earlier postwar years—that Federal authorities are making an earnest effort to follow sound fiscal policies, remedy tax abuses, and eliminate governmental competition with private business.

"Underlying these factors, apparently, is an increasing awareness that we are living in an age of phenomenal scientific and industrial progress. A mere listing of the new industries and products that are taking part in this new industrial revolution would be tiresomely long. Electronics, plastics, synthetic fibers, petro-chemicals, metallurgical advances, air transport, air conditioning, quick-frozen foods, railroad dieselization, automation, electronic computers, nuclear science—these and many other items add up to an industrial outlook that defies close analysis but is potentially brilliant."

From Boom to Doom?

By J. A. LIVINGSTON*

Financial Editor of the "Philadelphia Bulletin," and Syndicated Columnist

Financial journalist cites future projections into 1960 and after, as contributing to Wall Street's present enthusiasm over penny stocks, tips, popularity of "blue chip" and "growth" stocks, and to the entry into market of irrational buyers. Sees replica of 1929's New Era rationalism which led to poorhouse. Concludes biggest market danger is from our imaginations. Recommends loans on securities be amortized; and capital gains tax be accentuated further between long and short term.

I am complimented that this committee should ask me to state my views about the state of the stock market. To me, the fact that this committee is holding hearings is a major difference between 1955 and 1929. This time, a Senate investigating committee is studying the market before a crash, not after! That's pretty good insurance against a crash. It is evidence that members of Congress still remember—and well—the excesses to which we went in the '20s, and the economic trials that followed.

J. A. Livingston

One of the country's hidden safeguards throughout the postwar period has been the vivid remembrance of two depressions—the decline in commodity and stock prices after World War I and the Great Depression after the 1929 crash.

Americans emerged from World War II with a "depression psychosis." Depression was always just around the corner. What a contrast to the early '30s—when recovery was always just around the corner!

Benefit From Fear

This fear has served the country well. The 1949 decline in business was called the best-advertised recession in history. So many persons were predicting it —and expecting it. The same can be said about 1953-54. (When people worry about a prospective decline, they do not over-commit themselves.) Businessmen, fearful that a recession might develop, didn't go head over heels into debt. They didn't get overextended on inventories. The tendency for the most part was to be underbought rather than overbought. Speculation didn't become excessive.

This naturally affected Wall Street. Although earnings of corporations began to rise sharply, starting in 1946, the stock market didn't follow. People reasoned: We had a postwar business decline after 1918, we'd have one again. Sewell Avery, of Montgomery Ward & Co., actually showed stockholders a chart indicating that inevitably after every war commodity prices collased. When stocks broke in 1946, people said: "This is it."

A recession surely would follow. The stock market was acting as a barometer of business. But industrial production and employment didn't understand! They kept rising. The pent-up wants of Americans—repressed during the war—couldn't be denied. Nor did American manufacturers of automobiles, television sets, refrigerators or builders of homes want to deny these wants.

I have here a chart which compares corporate earnings and stock prices. From 1946 through mid-1949, earnings rose, but stock prices held in a narrow range. Speculators and investors didn't trust prosperity. It wouldn't last.

Then, when the 1949 recession didn't gather momentum, investors and speculators shed their fears. Stocks began to advance—to catch up to earnings.

The rise was arrested by the Korean War in 1950. Minds flashed back to World War II. Price and wage controls might be reinstituted. They actually were instituted—in modified form. We might have rationing. And an excess profits tax would limit earnings.

So stocks declined. But it was only a temporary setback.

Soon the revaluation of stock prices—a revaluation taking into account postwar hopes rather than prewar fears—was renewed. Prices rose. Then came another setback when the 1953 recession got under way.

Increase in Confidence

However, as the recession leveled off, speculators and investors became more confident. Prosperity wasn't a mirage, after all. To boot, the end of the excess profits tax promised to cushion earnings of large corporations. At the same time, more favorable tax treatment of dividends made stocks more attractive. And the upturn in business indicated that the American economy was not as volatile as had been supposed. We could have declines without collapse.

A new psychology — a safes rationale—developed. The President talked of a $500 billion economy 10 years from now. The staff of the Joint Committee on the Economic Report projected the growth of the economy to 1965 and came up with a figure of $535 billion—that as against the 1953 level of $365 billion. Future projections —you didn't think of 1956 or 1957, you only thought of 1960 and after—became the fashion. Such projections are still the fashion. Tomorrow's what counts, not today!

These projections have contributed to Wall Street enthusiasm — the increase in sales of penny stocks, the passing out of tips, the confident purchase of "blue chip" and "growth" stocks, and the entry into the stock market of persons who are not clear in their own minds about what they're doing. The argument — the rationale—runs:

"This is a growth country. Over the years, it has expanded at the rate of about 3% a year. We have a rapidly expanding population. We're going to need schools and colleges to take care of our youngsters; we need roads; we need homes; and we're in an era of new things—electronics, atomic energy, new technology. You're left behind if you don't stake a claim to this expanding America by buying stocks.

"Maybe stocks will go down temporarily. But over the longterm, the only direction they can go is up. We're not going to have deep depressions. The government will see to that. The Employment Act of 1946 requires the government to step in if business sags, if unemployment rises. And we have built-in supports: Unemployment compensation, old-age and survivors' insurance, minimum wages, strong unions that protect workers, and a flexible tax system—as incomes drop, so do taxes. The government shares the calamity and has the responsibility for ending it—promptly.

"Any drop will be short-lived. All you have to do is look beyond the drop. Forget the valleys, think of the hills."

To this is added:

"The government is running a deficit. We have a big defense program. Peace in our time isn't too likely. So, you need to own common stocks as a hedge against long-term inflation."

Shades of New Era Rationalism

This isn't too different from the New Era rationalism which led to the poorhouse in 1929. Every era has to have its rationalism. And certainly this era has it aplenty, including Wall Street's rationalization of its own behavior. When the market advances, it corroborates all the supporting arguments. It attracts buyers. Avarice — the lust for easy riches — brings newcomers and old-timers into Wall Street. The market is a business indicator which has a wondrous power: It can make its own indications come true—for a while.

A rising market stimulates — encourages — businessmen to expand plant, to make forward commitments. It makes holders of securities feel richer. So they're more inclined to spend money on automobiles, homes, vacations, jewelry. It generates prosperity. It creates confidence. It encourages risk-taking. And ultimately, it fosters excesses — both in and outside Wall Street.

That's why I consider the study of this committee so timely and appropriate. We need a clinical re-examination of the market's processes. We need to be reminded that bubbles are manmade — and, therefore, can be man-prevented. Only by watching ourselves — by regenerating some of the caution which prevailed in the early postwar period —can we guard against another serious bust. Stock markets are like people. They get ahead of themselves.

Senate Hearing the Main Differentiation From 1929

I don't want to leave the impression that I think this is 1929. I don't believe it is. A principal difference—as I suggested at the beginning — is this hearing. It didn't wait for a crash. It will help prevent a crash. Because we have a rationale—a growth philosophy which resembles 1929—it doesn't follow that it's a wrong philosophy or a foredoomed philosophy. We may well be on the threshold of another great era of growth.

The danger isn't that we're optimistic. The danger isn't that the market is rising. The danger isn't that there's a resemblance to things past. The danger is that imaginations may run so far ahead that, ultimately, reality returns with compound violence and then the imagination runs the other way. From boom to doom!

There is the danger that people who have money in the savings banks—to pay doctors' bills in time of trouble, or to put their children through college, or to take care of themselves in their old age—will suddenly decide that they're fools, that they're not in the swing, that they ought to be in Wall Street. They'll convert that cash into stocks—because easy money's to be made in Wall Street.

The danger is that business men, seeing the rise in stocks, will take money out of their business or borrow money to play the market; the danger is that people will begin to devote more attention to stocks than to regular activities.

There are minor manifestations of that now—in crowded brokers' boardrooms, in the increase in letters I receive asking for market advice, in the rise in tips.

Recently, I wrote about a chain letter going around touting St. Regis Paper. I said that this was an indication of Mississippi bubble-ism — people wanting to get into the market for quick profit! Lo and behold, the next day I received a telephone call from a woman. Where could she buy St. Regis?! When we suggested that she ought to think twice before buying, she was annoyed and hung up. The caution didn't mean anything to her. The possibility of easy profit was all that mattered.

Once it becomes easier to make money faster by buying du Pont stock than du Pont can make money by producing nylon and dacron, then it's time to watch out. And that has been happening. More and more people are turning to the stock market page before the comics. They want to figure out their winnings at the end of each day. That's not a good sign. The market has become a preoccupation. People are not buying for income but for quick capital appreciation. They're not investors. They're speculators. And when their stocks don't go up, they feel poorer. They've lost out in the race!

Attention to Securities Credit

I would urge, therefore, that particular attention be paid to credit used for purchasing or carrying securities. This committee has already done a notable service in asking the Federal Reserve Board to collect data on loans on securities which are stated to be for purposes other than carrying stocks. I hope the committee can persuade the Board to collect such data regularly.

This is important for two reasons:

One, we want to know the total amount of collateral which would be vulnerable—which might have to be sold—in the event of a decline.

Second, such loans are not covered by the Federal Reserve Board's margin rule. There are no statutory or regulatory limits

Continued on page 38

*Statement by Mr. Livingston before the hearings on the Stock Market, Senate Banking and Currency Committee, Washington, D. C., March 16, 1955.

Tax Advantages of Short-Term Trusts

By L. W. SEIDMAN

Seidman & Seidman
Certified Public Accountants, New York City

Mr. Seidman, holding the short-term trust is a new and interesting tax facility, cites illustrations of tax advantages of short-term trusts. Points out savings may be had both in income and capital gains taxes, and concludes the new tax law provides taxpayers with an opportunity to provide their family or charity with income for a short period, and at a low tax cost.

A provision in the new tax law can work to the considerable advantage of taxpayers in high brackets, who are ready to part with income temporarily, for the benefit of some family member or other beneficiary. Because the parting need be only temporary and the interim beneficiary can be a close family member, the arrangement can almost fulfill that elusive search for having the pie and eating it too.

L. William Seidman

The short-term trust is the new interesting tax facility. In the past, a short-term trust was surrounded with all sorts of tax doubts. The new law makes the situation definite, clear and liberal. Through such a trust, income-producing property can be transferred in favor of a named beneficiary. At the end of the trust period, the property can come back to the person who set up the trust (called the grantor). The term of the trust must be at least 10 years. It can also be geared to the life of the beneficiary of the trust, and if the beneficiary dies before 10 years, the trust still qualifies.

With such a trust the income from its assets is not taxed to the grantor, but to the beneficiary, or the trust, depending on the terms. Tax saving is derived if the beneficiary or the trust are in lower tax brackets than the grantor.

For example, securities can be put in trust by a husband for his wife for 10 years or for her life, after which the trust assets go back to the husband. The husband can be the trustee and have fairly broad powers over the administration of the trust. The income can be paid out or accumulated for the wife in the husband's discretion, as trustee.

Assume a married couple where the husband has about $35,000 of taxable income. The tax on the top $4,000 of income is $2,000. If the husband reduces his income by $4,000 by placing in trust property producing that amount of income, and the income is accumulated by the trust during the 10-year period for the wife, the tax on the $4,000 of income will be only $800. Thus, the tax saving on the $4,000 of income is about $1,200 per year. This is a 60% reduction in taxes payable on the $4,000, or a 10% reduction in the husband's entire tax bill. Over a 10-year period the tax saving is $12,000.

Furthermore, if during the 10 years the trust sells any of the securities at a profit, the capital gains realized may be taxed at a rate as low as 10% instead of the 25% the husband may have to pay on his capital gains.

If larger trusts are contemplated, the tax savings can be maintained or increased by having more than one trust, since each trust is a separate taxpayer, and gets a new climb up the tax brackets. For instance, separate trusts might be set up for a wife, each terminating in a different year, with different provisions.

Where the wife is the beneficiary, there is no savings on income distributed to her since it would be includable in the husband's and wife's joint return. However, that does not apply to short-term trusts where children, grandchildren, or others are beneficiaries.

In the case of children, even greater savings are sometimes possible. For example, if a trust is set up with about $500 of income to be paid annually to each of two children, and if neither child has any other income, there will be no tax to pay on these $500 amounts since that is less than the child's $600 exemption. Accordingly, the tax saving to a 50% bracket taxpayer over the 10-year trust term would be $5,000.

Suppose each child had as much as $2,000 income of their own. At the end of 10 years on the $10,000 of income they together got from the trust they will have paid 20%, or $2,000 in tax. The father, who set up the trust, would have had to pay a tax on that $10,000 of $5,000, resulting in a $3,000 saving.

The tax cost of setting up a short-term trust is the gift tax on the current value of the 10 years' income. In most cases, this will be a relatively small amount.

It will be seen from the foregoing that the use of short-term trusts with the principal coming back to the grantor after 10 years can achieve substantial income tax benefits. (A restriction exists where what is put in trust is stock of a company in which the grantor has a dominant influence.)

A further use of short-term trusts can be made where charity is going to be the beneficiary. In that event, the trust can be as short as two years, after which the principal can be retrieved by the grantor. During the term of the trust, the income will not be taxable to the grantor.

On the other hand, the grantor gets no deduction for payment to charity by reason of setting up the trust. He does get such a deduction if instead of having the trust property come back to him he provides it is to go permanently to somebody else, like to his children. Then he gets the benefit both of the charity deduction and relief from income tax on the trust income.

For example, assume that $20,000 of property is put in trust 10 years for charity, after which the property goes to the children. Assume also that the present value of the 10-year gift of income to charity is $5,800 and that the present value of what will ultimately go to the children is $14,200. A gift tax will have to be paid on the $14,200. On the other hand, the $5,800 can be taken as a charity deduction by the father in the year the trust is set up. This deduction will result in an income tax saving to a 50% bracket taxpayer of $2,900. During the period that the income is received, the grantor will not be taxed on it nor will the trust pay any tax since the income is going to charity.

Assuming a 5% annual rate of income, over 10 years, the charity will get $10,000. Had the grantor gotten the $10,000 he would have paid a tax of $5,000, leaving him with $5,000. By setting up the trust, he gets a charity deduction that reduces his tax by $2,900, so that the cost to him of providing the charity with $10,000 income is only $2,100.

Eventually the property will go to the children and the income in their hands will be taxable to them at their own tax rates.

This trust also will result in saving of estate tax since the grantor has parted with the property and so it is no longer in his estate. If we assume that the grantor is in the lowest gift tax bracket, and in the 30% estate tax bracket (about a $160,000 estate), the tax reduction can be summarized as follows:

Income tax saving from deduction for charity	$2,900
Estate tax saved by eliminating $20,000 from estate	6,000
Total	$8,900
Less gift tax payable on creation of trust	410
Net tax reduction	$8,490

Where the trust property is to come back to the grantor, there is no estate tax saving, since the property is still considered his, for estate taxes.

The foregoing discussion indicates that the new law provides taxpayers with an opportunity to provide their family or charity with income for a short period, and at a low tax cost. The savings are increased the larger the period. The savings are also increased if instead of the property coming back to the grantor, it goes to somebody else.

Stern, Douglass & Co. Formed on Coast

SAN FRANCISCO, Cal.—Stern, Douglass & Co., Inc., members of the New York and San Francisco Stock Exchanges, has been formed with offices at 465 California Street. Partners are Carl W. Stern, Charles Dreifus, Jr., Donn C. Douglass, Harry F. Flachs, Earl S. Douglass, Chester Apy, Emmett A. Larkin and Joseph A. Johnson.

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(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Paul J. Rasdorf is now connected with Goodbody & Co., Penobscot Building.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — LaVerne Beamish has joined the staff of King Merritt & Co., Inc., 53½ West Huron Street.

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(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harold E. Randall has been added to the staff of B. C. Morton & Co., Penobscot Building.

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(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Richard V. Hartnett and Earle H. Smith have become affiliated with E. R. Bell Co., 4627 Wornall Road.

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(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert W. Kerckhoff is now with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

From Washington Ahead of the News

By CARLISLE BARGERON

After more than two years of the Eisenhower Administration, Washington is still Democratic. That is to say, the vast bureaucracy on the level just next to the top, is Democratic. The Washington politico lawyers, a very influential group, an accompanying part of a Washington government, are Democratic, also the great majority of the newspaper correspondents. The opinion moulders, the articulate part of Washington, still looks down its nose at the Republicans. They are simply not up to the times in a "changed world."

Carlisle Bargeron

You have got to consider the squabble around the disclosure of the Yalta papers in this light. It wasn't fair, it was bungling on the part of Dulles. There can never again be any conferences among the powers because the heads of foreign governments will be afraid to talk freely in the knowledge our government will tell.

To get the full draught of the deliciousness of this you have only to realize that Churchill has made a million dollars writing about the secret parleys in which he, Roosevelt, Stalin and others engaged.

The plain facts are that there is nothing substantially new in the papers that has not been fairly widely known. But their publication does dramatize to more people, to the American people generally, the story of this country's greatest tragedy. In this manner they help the Republicans politically, or at least, the disclosure should help them.

The defense of Roosevelt now, as it has been in the past, is that he was guided by the advice of the military chieftains, not only of this country, but those of Britain.

The British people seem to have been more realistic. They kicked Churchill out of office after the end of the war. As for our indispensable man, he appointed the American military chieftains. If they gave him bum advice, which is the defense of him, they were still his men. He was responsible for them. As a chief of state, furthermore, he was supposed to be capable of evaluating the demands of the military which all history shows are invariably excessive.

However, there is this one thing that can't be escaped in connection with Roosevelt's dealings with Stalin. He was sympathetic to him, considered that Stalin in his own way was a fellow great statesman trying to handle the problems peculiar to him in a way that would improve the lot of mankind. This is a very generous view of Roosevelt to take.

From the beginning of his Presidency, he had a friendly attitude towards Communism. I do not suggest that he was a Communist. But in what he thought was his great knowledge of history and world movements, Communism did not in the slightest frighten him. He welcomed Communist agitators in his own government, in the labor unions. He looked upon them as very competent people who could get things done. And he was a man of action, determined to make America over. I have recalled it before and I do so again, the repeated statements of Mrs. Roosevelt to the effect: "What's wrong with the Communists; they are pursuing the same ends as we?"

She meant that the Communists were trying to help the underdog. So the Roosevelts professed to be; so did the Communists profess to be.

There is little doubt in this writer's mind that at Yalta, Roosevelt considered Stalin to be more worth while than Churchill; that he considered Churchill the apostle of British imperialism and colonialism and it was his determination to make the British Empire "give" at the conclusion of the war. Indeed, our government made the British Empire give at the end of World War I. The result is that after World War II there is no British Empire.

This attitude towards Britain is not unpopular in our country. We have gone to war twice to help Britain but paradoxically, in both instances, there has been our determination to do something to Britain at the end.

In the political melee in Washington which the Yalta disclosure has caused, there is the effort again to separate Eisenhower from the Republican party. He is on record against the Republicans seeking to make any political capital of the disclosure. The papers should be studied, in his opinion, with the view of learning past mistakes for our guidance in the future. There should, however, be no effort to attach personal blame on hindsight, he says.

Senator Knowland and other Republican Senators say this is the President's personal view but they intend to go right ahead attaching personal blame. Whereupon, the Democrats contend the President is not the leader of his party, that if he were he would get rid of Knowland as the Republican leader.

In the first place, it is doubtful if there is any serious difference between the President and Knowland and the other Senators. The President's attitude seems the proper one for a man in his position to take. It does not, however, foreclose the attitude of Senatorial leaders of his party.

Overlooked also in this Democratic propaganda is the fact that a Republican President cannot very well get rid of the Republican leader in the Senate. The one-man party theory is peculiar to the Democrats. In my lifetime the Democratic party has been in power in times of crisis. The President assumes tremendous power in such times. Eisenhower has nothing like the patronage nor the money to spend that gave Roosevelt his one-man control. It is difficult for some people to realize that times have changed, at least a little.

General Motors Looks Into the Future

By HARLOW H. CURTICE*
President of General Motors

After stressing the intense competition in the automobile industry, Mr. Curtice reveals the reasons why the company has entered upon an expansion program and has recently decided to seek further outside capital. Gives estimates of the nation's future economic growth. Furnishes information regarding General Motors Employees' Stock Purchase Plan. Points out "stock market fluctuations, as such, have had no effect upon our forward planning."

The automobile industry from its very inception has been most intensely competitive. It is even more competitive today than at any time in its 50-year history.

Harlow H. Curtice

In this industry competition means aggressively seeking the favor of the customer. At one time or another some 2,700 different makes of cars have been on the market. Today a bare handful of those original 2,700 survive. The others have vanished. Why? Because their products did not have sufficient appeal to this one person — the customer.

In General Motors we have been successful in winning the votes of customers because we not only have priced competively but also have constantly striven to build greater values into our products. Each year our cars offer more for the money than the year before. Each year we seek to make them leaders in performance, economy, quality, appearance, comfort and safety. This striving for improvement is a particularly outstanding element of competition in our industry — much more so than in most other industries.

Last year, as this year, our product lines represented outstanding values. As a result, our total sales last year were within 2% of the 1953 all-time record. We considered this an excellent showing particularly in view of a 30% decline in defense business. Defense deliveries accounted for only 14% of total volume, compared to 19% in 1953. The decline was nearly offset by the customer appeal of our civilian products and by aggressive sales efforts on the part of our dealer organization.

General Motors net income in 1954 amounted to 806 million dollars or $9.08 per share, compared with 598 million dollars or $6.71 per share in 1953. This increase over 1953 was largely the result of the elimination of the United States excess profits tax. We provided 749 million dollars for United States income taxes in 1954 and 996 million dollars in 1953, of which 192 million dollars, or $2.20 per share, was for excess profits taxes.

Postwar Capital Requirements

In the two decades prior to the war our capital requirements were met almost entirely out of reinvested earnings. Postwar, although we retained a substantially higher percentage of earnings than in the 1930's, this source of capital funds was not sufficient to cover our needs. Taxes of course have been a limiting factor. Between 1946 and the end of 1953 we resorted to the public capital market three times, including a 1946 loan from insurance companies which was repaid in 1949. The issue of preferred stock in 1946 and the debenture issue in 1953 added 400 million dollars of outside funds to our capital. This sum represented approximately 17% of the two billion, three hundred million dollars added to capital in this period, the balance having been reinvested earnings.

Our recent decision to seek further outside capital resulted from our analysis of our forward capital requirements. This analysis was based upon our projections of economic trends and the outlook for the highly competitive automobile market. It led us to the conclusion that additional permanent equity capital in the area of 300 to 350 million dollars is needed if we are to be ready to share in the country's growth and meet expanding needs for the goods we make and at the same time maintain a reasonable dividend policy.

It is just as important for us to appraise our markets and plan for the needs of our customers in the years ahead as it is for our research laboratories, engineers and stylists to work years ahead in designing and engineering our products.

Our studies indicate that sometime in the early Nineteen Sixties our country should achieve a gross national product of 500 billion dollars, compared with 357 billion dollars in 1954.

We find that by 1962 population may total 184 million, almost 20 million more than today. The number of households should increase from 48 to about 54 million, creating a tremendous new demand for homes, motor vehicles and other goods and services.

Assuming maximum utilization of the country's economic resources — in other words, full employment — it is estimated that disposable personal income might well be about 40% higher than today.

Motor vehicle registrations now total about 58 million. With disposable income up 40% we estimate that by 1962 there may well be over 75 million vehicles registered, an increase of more than 30%.

You may recall that early in 1954 General Motors announced a forward program of capital expenditures calling for an outlay of about one billion dollars in 1954 and 1955. This was at a time when many people were dubious about the economic outlook. In fact, there was much talk of coming recession with mass unemployment. However, many other corporations also invested substantial funds in new facilities. Today the country's productive facilities have grown substantially over those of a year ago, and economic activity has continued at a high level.

As is often the case, our program has grown and now amounts to one and a half billion dollars. Capital expenditures for this program in the past year reached a total of 750 million dollars. Expenditures for 1955 under this program are estimated at 500 million dollars. The remainder will be expended in 1956. This does not include 200 million dollars for modernization and expansion of our facilities in Europe which we have authorized and which we anticipate will be financed out of future earnings abroad.

When this program is completed, General Motors will have expended in the United States and Canada alone three and one-half billion dollars for capital investment since the end of World War II. This is in addition to very substantial expenditures each year for special tools, dies, jigs and fixtures specifically applicable to new models.

General Motors' capital expenditures, of necessity, will continue at a substantial rate, both to keep our facilities and products modern and to assure General Motors adequate capacity to keep pace with our appraisal of the normal growth of the market for the Corporation's products. We also expect from time to time to make additional investments for defense facilities, as required by the Armed Forces. For example, members of this Committee will be interested to know that we have just authorized a project which will involve 75 million dollars of our own funds to expand the engineering, research development and testing facilities of the Allison Division and to provide for the development of forward products to meet future needs of the Armed Forces as we anticipate them.

General Motors Stock Purchases

Your Committee has indicated interest in the procedure we follow in acquiring stock for employe bonus plan purposes.

Our policy for over 35 years has been that a well conceived incentive compensation plan should make the participating employees stockholders and partners in the business. Basically, the plan is designed to spur employees to maximum efforts by permitting them to share in the results obtained through their invention, ability, industry, loyalty and special service. Participation in the plan is determined on a selective basis and the amounts of the awards reflect individual performance. A committee of directors, none of whom is a participant or employee, administers the plan.

Because the present bonus plan as approved by our stockholders does not provide for the use of newly issued stock, it is our practice to acquire stock for bonus purposes in the open market. Purchases are made daily and spread as evenly as possible over the trading days of the month and year as well as throughout the trading period in a day, irrespective of price movements. Bids are made in relatively small amounts. Our stock purchases are reported monthly to the New York Stock Exchange so that the number of shares purchased currently is a matter of public record. In addition, the number of shares held in the Corporation's Treasury for bonus purposes is disclosed in the quarterly financial statements, and the number of shares purchased and delivered under the bonus plan is detailed in the Annual Reports.

Our purchases of General Motors common stock on the New York Stock Exchange have averaged 2,000 shares a day in the last four years. During these years purchases were equivalent to 15% of the total number of General Motors common shares traded on all U. S. exchanges.

No purchases of stock were made in 1955 until we had reviewed with the Securities and Exchange Commission the matter of making such purchases during the period of our public offering. Following a discussion with the Commission, we commenced stock buying on January 7 but continued only through January 28, ten days prior to the date the offering became effective. Purchases were resumed again on March 10, the third day after the expiration of the subscription offer.

The remaining point mentioned in your letter is the effect which stock market fluctuations have upon our planning. Frankly, our forward business planning has always been based upon our evaluation of economic conditions in general and of the automobile industry in particular. "Stock market fluctuations," as such, have had no effect upon our forward planning.

In conclusion, we believe the opportunities for service and accomplishment in our dynamic and expanding economy will continue to be substantial. The success of our stock offering demonstrates that equity capital is available to those who seek it on a sound basis.

The willingness of the automobile industry to undertake large capital investments for new and improved facilities — as well as for new and improved products — has brought the industry, over the span of a single lifetime, to its present stature. The industry has become the greatest single contributor to the strength of the national economy. It has given our people an individualized means of transportation enjoyed by no other people on earth.

Such progress must and will continue to insure the creation of still more and better job opportunities. Only by such progress can the automobile industry continue to make its maximum contribution to the expansion of the national economy.

We in General Motors will continue to make our maximum contribution.

I am sure others are determined to do likewise.

*From a statement by Mr. Curtice before the Senate Banking and Currency Committee, Washington, D. C., March 18, 1955.

With Inv. Planning

(Special to The Financial Chronicle)

BOSTON, Mass.—Oliver D. Letourneau is now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Straus, Blosser Co. In New Quarters

CHICAGO, Ill.—Straus, Blosser & McDowell, investment firm with offices in principal cities, announce their removal to new and larger quarters at 39 South LaSalle Street, Chicago, providing improved and expanded services for customers.

The firm, formerly located at 135 South LaSalle Street, now has 1,500 square feet of additional space. It is installing a new electric stock quotation board. A new municipal department under the management of Paul Schoessling was established earlier this year.

Straus, Blosser & McDowell became a member of the New York Stock Exchange in 1944 when it had 75 employees. The firm currently employs 125 persons, and is a member of the New York, Midwest, Detroit and American Stock Exchanges. It has private wires to its offices in New York, Kansas City, Mo., Detroit and Grand Rapids, Mich., and to investment houses in Cleveland, St. Louis, and Dallas. Offices are also located in Milwaukee, Wis., and Mt. Clemens, Mich.

Joins Ball, Burge

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Charles F. Steinman has become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York Stock Exchange. Mr. Steinman was formerly with Paine, Webber, Jackson & Curtis.

Zilka, Smither Adds

(Special to The Financial Chronicle)

PORTLAND, Ore. — Robert L. Wilson is now connected with Zilka, Smither & Co., Inc. 813 West Alder.

Bache Adds to Staff

(Special to The Financial Chronicle)

WHEELING, W. Va.—Theoren J. Murvin is with Bache & Co., 1210 Chapline Street.

Today's Challenge to Automobile Instalment Credit

By ROBERT L. OARE*
President, American Finance Conference
Chairman, Associates Investment Company, South Bend, Ind.

After noting the increase in automobile instalment credit since 1945, Mr. Oare points out, because of the buyer's market in automobiles, there is keener competition among dealers and more sales promotion, thereby contributing to more instalment selling. Finds the margin of rates charged for financing is narrowing and warns of the need for maintaining sound credit principles in automobile financing. Says major problem in the financing industry today is maintaining sound credit terms, and hints at threat of government intervention and control. Lays down rules for a sound course in extending credit.

The challenge facing the automobile instalment credit industry today simply stated is "to provide credit to all qualified car buyers and at the same time maintain time-tested fundamentals of credit extension—those standards which have proven the soundness of instalment financing during this past half-century."


Robert L. Oare

This rather simple statement of the underlying purpose of the industry becomes a challenge today because of a number of factors which have been building up with increasing intensity during recent months and which will test the mettle of each individual grantor in this field if it is successfully met.

During the period from the close of 1945 to the end of 1953, the amount of automobile instalment credit outstanding in the United States increased from a mere $455 million to a total of $10.341 billion. Thus, for a span of eight years our industry was faced with the continuous task of rapidly expanding its capacity to meet the needs of time sales buyers in our country. Under these conditions, each individual grantor in this field could, and in most instances did, enjoy a very healthy growth by just retaining his proportionate share of the available market. While competition existed, it was tempered in a great measure by the ability or willingness of individual credit institutions to obtain or allocate the necessary funds to handle a greater volume of business. During 1954, for the first time since World War II, the demand for automobile instalment credit leveled off both as to the volume of business and as to the amount of outstanding credit. While the volume of credit had substantially leveled off during most of 1953, the amount of outstanding credit did not reach its peak until the very end of that year due to the carry-over effects resulting from the lifting of Regulation W back in 1952. With this leveling off in the total amount of all automobile instalment credit outstandings and with a slight decline in the volume of incoming business, the only way in which an individual grantor could continue the growth to which he had become accustomed was to increase his proportionate share of the total market. This led inevitably to a sharp increase in the competition for business. In addition, many individual grantors increased their capacity and willingness to handle automobile instalment paper, so competition within our industry today is at a very high point, if not at an all-time high.

I do not mean to infer that I in any way deplore this keen competitive climate in which we now operate. It is a healthy thing for our industry just as it would be true for any other industry, and is the keystone of our American economic pattern. This competition should force us as individual grantors and therefore as an industry to give a better service to the public at a better price.

In the long run, this will be the best thing for the stability of our industry and for the public whom we serve. But it is important that we in the industry analyze and face up to this competition intelligently rather than blindly and blithely go merrily on our way acquiring volume.

A Buyer's Market in Automobiles

During this past year, three significant things occurred which were to have a considerable effect on the manner in which many grantors were to meet their increased competition. First, the automobile industry had definitly reverted to a "buyers' market." As production of new automobiles approached and then exceeded demand, prices of both new and used cars trended downward. The reduction in new-car prices principally took the form of increased allowances on trade-ins and actual cash discounts. Prices of used cars were forced down proportionately. This downward slide in prices slowed down considerably by the end of 1953, and a fairly stable used-car price structure has been in effect since that time. As a result, the average loss taken on repossessions reached a peak during the spring of 1954, and then started to decline for the first time in many, many months. This resultant improvement in the loss to liquidation experience unquestionably has influenced many grantors to relax credit terms as a means of meeting the increased competition for automobile paper.

Secondly, by the end of 1954, our nation's economy had just recovered from what some economists termed "an inventory recession." During a period of about a year, the gross national product declined from an annual rate of $367 billion for the third quarter, 1953, to $355 bililon during the third quarter of 1954. It seems pretty well susbtantiated that this decline in production was caused by reduction of inventories and government spending; but, significantly, it did not reduce the amount of disposable consumer income or seriously affect the nation's price structure. During the fourth quarter, 1954, the nation's economy again started to expand; and a very optimistic view was taken by most people. This had an effect in our industry in that there was a noticeable improvement in collection experience, but this very condition in turn has had some effect toward relaxing credit extension policies.

More Sales Promotion for Automobiles

Thirdly, the year 1955 has been ushered in by a record-breaking sales-promotion effort on the part of the automobile industry to sell its new cars. Along with all the fanfare, there is a grim underlying struggle on the part of individual manufacturers to take for themselves what they consider to be their proportionate share of the market. This competitive struggle to find every available buyer for their product is reflecting itself in tremendous pressure by automobile dealers on the grantors of instalment credit to liberalize terms and ease credit restrictions. They are not finding prospects, but instead are selling terms. In some instances, it would appear that the only thing that seems to count is to make the sale regardless of whether the purchaser can afford the automobile or meet the payments on his instalment contract. Overallowances on trade-ins are becoming quite common, and in numerous instances, are also combined with price "packs." Through these and other devices, the financial details of the automobile purchase transactions are colored and often tend to conceal the true terms of the deal. Speaking for my own company, it is not unusual for some of our branches to be forced to reject as high as 40 to 50% of the business being offered. I am sure that many of you here today are having similar experience in this respect.

The Narrowing Margin of Financing Rates

Let us examine a little more closely some of the effects which these internal and external pressures are having on our industry. Look first to what is happening to rates. Unlike the manufacturer who for the most part has an established cost for his product and thereby can fairly accurately gauge his "break even" point, the grantor of consumer credit must set a rate today which will provide a gross income sufficient to cover the cost of acquiring the deal and the cost of carrying and liquidating the contract to its maturity, and provide a reasonable profit for his endeavors. To guide him in setting a price for his service, he has the benefit of his current operating costs and liquidating experience tempered by the experience of previous years. Those who recall the conditions which confronted this industry during the 1930s can realize only too well how such things as collection costs and credit losses may rapidly increase and cause an unexpected strain on the income deferred to cover such expenses.

Today margins of profit are considerably narrower, which leaves very little leeway for further reduction in rates. When an instalment sales credit operation is being conducted as a department of a large credit institution such as a commercial bank, it is important that all operating costs be properly allocated in determining the profits of such department and in determining the adequacy of the rates used. This not only means all direct operating expenses, but also a fair allocation of management costs, a realistic cost of money employed, and an adequate loss provision which can be reasonably expected to cover the liquidation of the receivables.

Since I also have the privilege of being active in the management of a bank, I am familiar with the practice of commercial banks to adjust their rate of interest to fit the credit standing of the borrower. When dealing with regular commercial borrowers, such variation in interest rate is entirely in order and is one of the "built-in" controls of our free enterprise system which tends to keep the marginal or high risk

Continued on page 34

*An address by Mr. Oare at the National Instalment Credit Conference of the American Bankers Association, St. Louis, Mo., March 22, 1955.

No New "Upturn" Or Politically Inspired Inflation Wanted

By ROBERT E. WILSON*
Chairman of the Board
Standard Oil Company (Indiana)

Prominent oil executive, condemning the practice of "taking our economic temperature every hour," holds business is on upgrade again and we should avoid seeking any new "upturn" or politically inspired inflation which may be piled on a healthy recovery.

Someone has said we're in danger of becoming a nation of economic hypochondriacs—taking our economic temperature every hour on the hour, and worrying if it isn't exactly at the level we've now come to consider normal.


Robert E. Wilson

The facts are that the economy as a whole has been in an uptrend for 15 years with three very brief and necessary readjustments at about five-year intervals—one immediately postwar, one in 1949, and one last year. All were moderate and none involved significant loss of business or consumer confidence. We have clearly been on the upgrade again for the past four months—with surprising vigor in several important industries.

However, I for one, do not want to see any new "upturn," or politically inspired inflation, piled on top of the healthy recovery the economy seems to be experiencing. We should be only too happy to have witnessed the successful halting of a 20-year inflationary trend without being plunged into a deflationary spiral as some economists and politicians predicted last year unless the government went into heavy deficit financing. Instead, the Administration adopted sound fiscal and tax policies, maintained confidence, and allowed the underlying vigor of the economy to bring us through in good shape.

Various surveys made last fall of anticipated capital expenditures by business and industry during 1955 indicated that they would be off about 5% from the high levels of last year. However, those figures were based on estimates made before the general business upturn late last fall, and the new surveys now being compiled will probably show a more optimistic figure. As a matter of fact, since I wrote the foregoing, the new Department of Commerce survey of business expectations has come out and shows an increase of 1% instead of a decrease of 5%. Evidently the combination of increased consumer spending, growing confidence, and the incentives to business expansion which were embodied in last year's tax bill is proving quite effective in raising the sights of business men. Rumor has it that some strenuous price cutting by big electrical companies also helped to step up some of the utilities expansion plans.

All this is constructive provided it does not run away into another round of inventory accumulation or new inflationary programs such as some politicians and labor leaders are advocating. Cheap mortgage money is already overstimulating housing construction, and consumer debt is again growing. The need for many more roads and schools seems pressing, but this means a further increase of public debt above present high levels. It is certainly no time to rush ahead blindly or spend more government money except where really necessary.

As to capital expenditures by the oil industry, it was the only major industry in last fall's McGraw-Hill survey to show a slight uptrend in projected capital expenditures for 1955. I, for one, would be just as happy if we did not enjoy that distinction. Our industry has surpassed every goal of excess producing and refining capacity for a possible emergency that the government asked for, and has done it at its own expense. Unlike most defense industries, we are also largely carrying our own stockpiles—too big, in my opinion, considering the excess producing and refining capacity which is available at a moment's notice in case of need. I think our industry might be better off, and still do our full duty by both our government and our customers, if we relaxed a bit in new capital outlays and in inventory accumulation, at least until we know better what imports and gas price regulation are going to do to our industry this year. Our own company is definitely on such a program, especially in refining. The construction of interstate gas pipelines or wildcatting for gas will certainly not resume on the scale of recent years until the producer can anticipate relief from the unprecedented peacetime price controls which have been forced upon him, in spite of the fact that competition among the 5,000 independent producers has kept the field price of gas the cheapest of all fuels; and if this situation is not remedied by this session of Congress, it bodes ill for any producer of any commodity in general use.

*A talk by Mr. Wilson at a panel discussion on "1955: Mild Recovery or Boom?" at the 357th Meeting of the National Industrial Conference Board, Houston, Texas, March 24, 1955.

New duPont Branch

SAN DIEGO, Calif.—The opening of an office in San Diego, Calif., in the San Diego Trust & Savings Building, was announced by Francis I. duPont & Co., members of the New York Stock Exchange, Los Angeles Stock Exchange, San Francisco Stock Exchange and other leading security and commodity exchanges. This is the firm's eighth office in California. Others are located in Los Angeles, San Francisco, Sacramento, Fresno, Pasadena, Bakersfield and Beverly Hills.

Francis I. duPont & Co. now maintains 63 domestic offices, including 12 in the New York area, and has overseas branches in London and Lausanne.

Morton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Leonard Seligman has been added to the staff of B. C. Morton & Co., 131 State Street. He was formerly with Keller & Co.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sumner H. Woodrow is with Palmer, Pollacchi & Co., 84 State Street.

A Life Insurance Company Looks at the Equity Markets

By STUART F. SILLOWAY*
Vice-President for Finance
The Mutual Life Insurance Company of New York

After discussing the historical unfavorable attitude of life insurance companies toward common stocks, Mr. Silloway lists the principal factors influencing a change in this attitude as: (1) the more liberal yield on sound equities; (2) the relatively good experience of investors with common stock; (3) the clearer recognition that life companies are ideal long-term investors; (4) the widespread acceptance that the economy has become more depression resistant; (5) the greater realization of the long-term opportunities for a developing and expanding economy, and (6) recognition of the fact that fixed income securities are insufficient for the volume of institutionalized savings.

I

Historical Attitude of Life Insurance Toward Common Stocks

In the early history of life insurance, the industry's investment policies were to invest primarily in secured obligations. Equity investments in industrial and transportation enterprises were the exception rather than the rule. The companies did, however, have a significant amount of money, approximately 3.9% of admitted assets, invested in stocks of all kinds both common and preferred in 1890. The common stock investments included in that total were mostly rail and bank stocks. The acquisition of such holdings continued to increase and reached a peak of 7.3% of admitted assets in 1903.

Stuart F. Silloway

The Armstrong Investigation of insurance companies, conducted by the late Charles Evans Hughes, brought about an important change in the legal aspects of stock investments. It was clear from that investigation that certain malpractices had appeared in the stock dealings of certain of the companies and that dangerous, interlocking relationships existed between life insurance companies and other financial institutions. As a result, life insurance companies domiciled in New York were no longer permitted to invest in stocks, either common or preferred, and were given a period of years to dispose of their holdings. This statute, which was absolutely binding upon companies domiciled in New York, in which a large portion of life insurance assets was and still is concentrated, had a great influence on the investment decisions of companies domiciled in other States, and a steady decline of holdings of both common and preferred stocks followed the investigation, reaching a low point of 0.6% of admitted assets in 1924.

II

Preferred Stock Legislation

In 1928, the Legislature of the State of New York passed the necessary legislation to permit companies domiciled in New York to purchase preferred stocks of corporations meeting certain earnings tests. As a result of the passage of this legislation, the combined holdings of preferred and common stocks in life insurance companies again started to expand and by 1929 had reached a figure of 2.4% of admitted assets. The preponderance (73%) [1] of that investment was in preferred stocks since companies subject directly or indirectly to the New York statute constituted such a substantial portion of the industry.

Following the depression of the early 30's, there was an increase in the holdings of stocks by life insurance companies which arose in part out of reorganization proceedings. Subsequently, as business recovered and our economy generally showed signs of improvement, statutes were passed in various States permitting limited common stock investments by life insurance companies domiciled therein. In fact, by the end of 1950 some 33 States and the District of Columbia permitted their life insurance companies to make such investments, and by that time, companies located in several States had made rather aggressive starts toward the accumulation of common stock holdings.

By the end of 1947, the life insurance industry had combined stock holdings of 2.7% of total admitted assets, and common stock holdings included in the total amounted to 21% of total stocks, or about 0.5% of total admitted assets. By the end of 1950, the combined preferred and common stock holdings had increased to 3.3%, of which common stocks represented 28%, or about 0.9% of admitted assets.

In 1951, the legislature of the State of New York amended the investment statute to permit companies domiciled therein to have the lesser of 3% of admitted assets or one-third of surplus invested in common stocks. The amendment was quite restrictive in character and permitted common stock investments only in a company the other securities of which were eligible for purchase by life companies and which had met an earnings test and paid a dividend on its common capital for 10 years and which listed on a national exchange.

The common stock holdings of 24 New York companies was .16% of their total admitted assets at the end of 1951, indicating that there was no particular rush on the companies to make use of the new legislation. The corresponding figures for succeeding years are also interesting: 1952, .22% and 1953, .27%. We do not as yet have comparable data for 1954. On a book value basis, the percentage has risen to .47%. Since the admitted asset value for commons is market value, the percentage on that basis would undoubtedly be somewhat higher as a result of the recent rise. I believe that two main reasons are largely responsible for the absence of a great rush from the barrier by the New York companies:

(A) Rise in interest rates which began in spring of 1951 following the so-called accord between the Treasury and the Federal Reserve.

(B) A comparatively high historical level of stock prices.

III

Principal Factors Influencing the Change in Attitude Toward Common Stocks Leading Up to the Legislation

A number of the New York companies had for several years prior thereto urged the adoption of such legislation and felt that it was rather slow in forthcoming. This was not a unanimous opinion.

The principal reasons for seeking a liberalization of the statute are as follows:

(A) The more liberal yield available on sound equities.

(B) The relatively good experience which equity investors had in common stocks which were held for a considerable period of time. This was borne out by an examination of certain trust company holdings and acquisitions over fairly protracted periods, as well as those of certain investment trusts, fire and casualty companies, and life insurance companies. In addition, a number of hypothetical investment studies made by the life insurance industry (when seeking changes in the law) evidenced a satisfactory investment experience on assumed long-term holdings.

(C) A clearer recognition of the fact that life companies are ideal long-term investors because of the stability of their cash flow and a belief that they can afford to disregard temporary market fluctuations and concentrate on long-term yields. The favorable experiences cited led to more widespread application of the "prudent man" concept of investment which has been widely applied in trust fund investment policy. Meanwhile, pension funds were also investing increasingly in common stocks with effective results.

(D) The more widespread acceptance of the feeling that our economy may be somewhat more depression-resistant in the future than in the past because of various built-in stabilizers and a more positive attitude by the Federal Government toward the maintenance of a satisfactory level of employment, national income, and consumer purchasing power. It seems clear from the 1952 election and subsequent events, if in fact it was not clear prior thereto, that such an attitude of governmental philosophy exists in both major political parties and that it would be present whether or not the so-called Full Employment Act of 1946 were on the books. The various devices, monetary and fiscal, which may be employed to implement these objectives have certain inflationary implications, and common shares are, on the record at least, a mild inflation hedge, although the permissive holdings for New York companies under the present statute are small.

(E) The greater realization of the long-term opportunties for expansion and development of our economy through research and technological advances and from the resultant further improvement in the standard of living, both here and abroad, conditions which would very likely influence future corporate earnings and equity values.

(F) Recognition of the fact that at times the quantity of fixed-income securities and mortgages issued in a given period has been small in relation to the volume of institutionalized savings.

IV

Types of Common Stocks Purchased by Life Insurance Cos.

In general, the decisions of the companies have been influenced in large part by yield consistent with a satisfactory degree of quality. After all, the life insurance business requires earning a stipulated current return, and most insurance company buyers have their eyes fixed on present yield. A modest amount of investing, however, has been and will be done with an eye toward good quality with a relatively low current yield and expectation of improved yield in the future by investing in companies which seem to have a better-than-average opportunity to grow and prosper.

V

What May Be the Life of Insurance Attitude Toward Common Stocks in the Future?

As their experience widens and a longer period of time passes without important economic adversity and consequent market decline, it is logical to expect the companies to continue to buy equities and probably to increase their over-all percentage in such securities.

Traditionally, the life insurance companies are investors in fixed income-bearing securities and mortgages, and they will be influenced importantly by the spread between yields on bonds and mortgages and on preferred stocks and common stocks. If the opportunity is again present to make fixed income-bearing investments in sound corporations at a rate of return that very nearly equals that available on common stocks, it is likely that the companies will again withdraw from the market and, conversely, in periods of low interest rates if more liberal returns are available by investing in sound equities, it is likely that the companies will increase their holdings.

As of Dec. 31, 1954, the New York companies held common stocks having a book value of $142 million, representing 0.47% of total admitted assets. Under the present statute, 3% of admitted assets would amount to $912 million. This relationship does not fall evenly on all companies as some of the New York companies have made virtually no purchases of common stocks, and there is probably no disposition at the moment for any of the companies to go to the maximium amount permitted immediately. One reason for the relatively slow start made by the New York companies in their purchasing of common stocks has been that since the legislation was passed opportunities to invest in fixed-income securities have been more favorable than they had been for many years previously. Another deterrent has been the valuation problem arising in part from the legal limitations imposed on accumulation of surplus by New York and ten other States on companies writing participating business. However, from a longer range point of view, I believe that there will be a tendency for the companies to invest up to their maximum, and I am hopeful that before too long an even broader margin for equity investments can be obtained.

*Outline of remarks by Mr. Silloway before the Dean's Day Homecoming Conference New York University Graduate School of Business Administration, New York City, March 12, 1955.

1 Based on 49 companies having 92% of industry assets.

With Investors Realty

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Norman T. Johnson, Benjamin M. Katz and Patrick W. McKenney have joined the staff of Investors Realty Fund. Mr. Johnson was previously with Jones, Cosgrove & Miller. Mr. Katz and Mr. McKenney were with Daniel D. Weston & Co.

Important Aspects of the Market

By F. EBERSTADT*

Partner, F. Eberstadt & Co., Investment Bankers
President of Chemical Fund, Inc.

Mr. Eberstadt maintains that in spite of competent supervision by the authorities, dangerous speculative proclivities have emerged, harboring wide repercussions both inside and outside the market. Suggests instead of dealing with margin requirements as a whole, they be adjusted to individual stocks, to deal with isolated situations without depressing the general market. Favors relaxation of short-selling restrictions under present conditions. Emphasizes importance of disclosure, against background of existing penal legislation.

On Feb. 17, 1955, we replied to your Committee's questionnaire, dated Feb. 1. I have reviewed our responses to your inquiries and find no reason to modify them.

Ferdinand Eberstadt

There is no doubt in my mind that during the last months of 1954 and early in 1955, influences not entirely salutary entered the securities markets with increasing force, creating a number of situations, the cumulative effect of which, if continued unrestrained, was likely to be unwholesome. There was a rash of security offerings which to the experienced eye looked unpromising. Certain listed stocks were being given quite "a ride." "Hot tips" were becoming the basis for some feverish stock buying. Experience indicates that such practices may prove disastrous to their victims with injurious repercussion on many who are not directly involved.

Supervision Honest and Competent

I would like to say at the outset that during the 35 years that I have followed the course of security markets, I know of no time when the supervision of these markets was in more honest and competent hands than now. I include in this statement the SEC, the NASD, and the two stock exchanges with which I am familiar, namely, the New York Stock Exchange and the American Stock Exchange. I am sure that the undesirable practices and tendencies that I referred to above have neither been fostered nor approved by these authorities.

I am equally sure that such an inquiry as you are conducting is timely and has a useful purpose. The very fact that you are conducting the inquiry has already had a distinctly perceptible deterrent effect on these practices.

Market Appraisal

The testimony given to your Committee as to whether the stock market in general is or is not too high leaves one somewhat confused. That is not a phenomenon peculiar to this moment. The same would probably be true at almost any other time. The fact that some think certain stocks are too high and others think they are too low is one of the things that makes a market. Numerically in comparison with 1929 the stock market level may seem high but even if it were that would prove little. We are dealing in a different unit of currency than we were in 1929—a 100% gold dollar then and the equivalent of a 60¢ gold dollar today. Prices of other commodities and services have reflected this difference. To what extent stock prices have done so is a question. Furthermore, there have been, and are, tremendous inflationary forces at large which have had and, so long as these forces prevail, will continue to have a stimulating effect on the price of stocks. The possible effect of these inflationary forces on the stability of the dollar makes stocks seem preferable to bonds in the minds of many investors. Furthermore, new purchasers with large resources have come into the market. Another potent upward force is the outlook for the future. Investors seem more confident than they have been for some time. There is wide confidence in the President and in the Congress. There is a growing belief, whether or not justified, that as time passes, the foreign situation is becoming less dangerous. Above all, there is feeling that the epochal discoveries of our scientists in the atomic, the electronic, and the chemical fields have opened the doors to industrial progress, with resulting benefits to man's health and wealth, beyond anything that was ever achieved or even dreamed of in the past. The composite of these forces naturally tends to create a strong market. And so, one would be rash to say, without qualification or specification, that the general market level is too high.

The Wide Implications of Margins

Thus it seems to me that the nub of the problem with which you are concerned is not an unduly high general stock market level to be dealt with simply by increasing margin requirements across the board. The reciprocal relationship between stock market activity and the level of stock prices on the one hand and business activity and profits on the other, is so close and so sensitive that an undue general increase in margin requirements might affect both the former and the latter to the disadvantage of our economy, without necessarily curing the unsound practices to which I have referred and which, in my opinion, merit your Committee's astute attention. If these harmful practices can be isolated and dealt with individually, that would seem to be a more desirable course than to resort to action which might have a generally depressing effect on business and yet not result in the desired cure.

It is my impression that under present legislation stock margins must be dealt with as a whole. I am not sure that this is sound or sufficiently flexible in present circumstances. It would seem to me to be using a mallet to kill a fly if, in order to restrain gambling activities in a few stocks, margins on all stocks were raised. Therefore, I suggest for your consideration the possibility of empowering the proper authorities with the right to raise margin requirements on any specific stock on a showing that such action is in the public interest. This would enable the authorities to deal with isolated situations without depressing the stock market as a whole.

Short-Selling Situation

In the past, one of the stabilizing forces in a strongly rising market was short selling. Not so many years ago, it was the low level of stock prices that caused official concern. The short seller was assumed to be a contributor to this undesirable condition and was severely criticized. Rather stringent restrictions on short selling were introduced. It may be that conditions have changed sufficiently to justify modifying some of these restrictions. Such a step might increase the market's stability and underlying strength.

More disturbing than the present market level are security frauds and sales of securities which, while not technically fraudulent, are so worthless as to have the same effect on the buyer.

Disclosure the Crux

So far as stock frauds are concerned, it seems to me that they are in the same category as any other frauds. The problem of protecting the fool from the knave is not new to our jurisprudence. Assuming adequate penal legislation, and I think we have such on our books nationally and in most of the states, elimination of these frauds becomes a matter of vigilance and vigor on the part of our public authorities. With respect to those issues which, while not fraudulent, are thoroughly unsound, I believe that the cure lies in full disclosure rather than in expressions by Federal or state authorities as to the value or worthlessness of such securities. Nor would I recommend vesting prohibitory powers against such issues in the public authorities.

With respect to the over-the-counter market, I believe the NASD has done an excellent job of policing this huge market. My only suggestion in this field involves the possibility of requiring licensed dealers to furnish to their customers on request properly authenticated current balance sheets and operating statements or a qualified prospectus with respect to such securities which they sell. Neither the publicity that over-the-counter securities enjoy nor the public scrutiny to which they are subjected is equal to that of the listed stocks. The number of securities is so vast and, in comparison, the abuses appear to me to be so few and so easy to deal with, that I have some doubts as to the wisdom of attempting to force any great quantities of these securities to be listed. Undoubtedly it would be salutary to increase the information available about these companies, always bearing in mind that it is probably not wise to stifle this market. It is difficult enough now to start a new business and unless we have a strong ingredient of new businesses started from year to year, our economy is likely to retrogress or to fall in the hands of industrial giants.

I am not greatly concerned about the tipster. Public knowledge of the losses which are sure to follow habitual pursuit of tips as an investment standard are likely to take care of this abuse.

*Statement by Mr. Eberstadt before the Hearings on the Stock Market, Committee on Banking and Currency, U. S. Senate, March 17, 1955.

With First California

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert F. Bates has rejoined the staff of First California Company, 647 South Spring Street. Mr. Bates has recently been with Investors Realty Fund, Inc. and prior thereto was with Marache, Dofflemyre & Co.

With Shearson, Hammill

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Donald M. Smalley and Harry B. Turner have become associated with Shearson, Hammill & Co., 520 South Grand Avenue. Both were formerly with Paine, Webber, Jackson & Curtis.

Depression in the Textile Industry and the Way Out

By SOLOMON BARKIN*

Director, Research Department,
Textile Workers Union of America

Trade union economist describes plight of textile workers and the distressed conditions in the industry. Gives data on unemployment in the textile field and abscribes causes of present condition to: (1) loss of domestic outlets; (2) loss of export markets; (3) changes in types of garments; (4) changing pattern of consumer expenditures; (5) tardiness in meeting new consumer trends; (6) inter-fibre competition, and (7) general business contraction, as well as increased productivity due to technical advances. Proposes as remedial measures: (1) distribution of textiles to needy nations overseas; (2) distribution of clothing to domestic needy; (3) reestablishment of textile stock piles for armed forces, and (4) granting contracts to textile mills in distressed areas. Wants special assistance given to workers victimized by the textile depression.

The President's Economic Report speaks of some industries and localities suffering from serious unemployment. The textile industry has been in a depressed state since 1951 and has not yet recovered. Textile communities throughout the country have been hard hit and many have not been rehabilitated through the development of alternative employments. Tens of thousands of textile workers dependent upon unemployment benefits have exhausted their claims and therefore have had to fall back upon their families for maintenance. Many older textile workers have been turned away from the employment offices by other employers and have found themselves "too old to work and too young to retire."

Solomon Barkin

* * *

We urge upon the Joint Committee that there is too great an inclination to concern ourselves with the global figures and overlook the individual deficiencies in our economy. This failure to analyze the weaknesses and the shrinking areas can be as fatal now as it was in the twenties. We know that the troubles of the textile and coal industries during those years proved to be harbingers of the oncoming disaster. The shortages in buying power and the heartless competition at the expense of the worker which demoralized the industry and the wage structure of these industries during the latter part of the twenties were precursors of the disaster that befell us in 1929. Had we then addressed ourselves as we are urging you to focus now upon the problems of the distressed areas and industries and the problems of economic rehabilitation and recovery in them, we might well have avoided the depths of the depression of the early thirties.

The need for such a far-reaching investigation has been recognized not only by textile labor organizations and the Congress for Industrial Organizations, which called for such an investigation at its last convention, but also by an independent newspaper such as the New York "Times," which, in an editorial on June 7, 1954, declared as follows:

"The textile unions have sought to cooperate in increasing the efficiency of the industry and the productivity of its workers. But the industry has been losing ground in the face of competition from imported fabrics, synthetics and non-union producers in the South.

"It is clear that no general upturn in the economy will automatically restore the prosperity of the mines or the textile mills. The sooner the Administration gets together with management and labor in these industries to seek answers to their basic problems, the sooner remedial programs can get under way."

Distressed Conditions in the Textile Industry

Employment has declined significantly from the more active days within the industry. In 1948, there were 1,280,000 production workers. This number dropped to 1,200,000 in 1950. In both 1952 and 1953 the total was about 1,100,000. The low point in 1954 was in July with 953,000 workers. Recovery since July has been minor: in December the total was 998,000 compared with 980,000 in June and August 1954. There has not therefore been any such recovery as the President's economic report suggests. The net drop from 1948 has been 282,000 and from 1951, 177,000 persons.

What has happened, however, which is most welcome, has been an increase in the hours of work. In December 1954, the average weekly hours for the first time during the year exceeded 40 hours per week. They had dropped to 37.1 hours per week during April.

The shrinkage in employment has taken place in all regions of the country. Attached is a comparison of the employment of both wage and salaried workers in each state between February 1951 and October 1954. A total shrinkage of 283,000 jobs occurred in the 45 months. (Table I.) (Employment of salaried and wage earners increased by some 7,800 from October to December.) One hundred and seventeen thousand jobs were lost to the industry during this period in New England, 85,000 in the Middle-Atlantic states and 52,000 in the South. The largest reductions in employment were suffered in Massachusetts (58,200) and Pennsylvania (36,800). North Carolina saw a shrinkage in employment of 20,000. **No single textile state** could report an increase in employment between February 1951 and October 1954.

As textile mills are generally located in non-metropolitan areas, frequently comprising one-industry or one-mill communities, alternative employments in the locality are lacking. The slump in textile employment therefore depresses entire communities and leaves workers and their families stranded. The significance of this concentration is borne out by the fact that five of the eight major

*From a statement by Mr. Barkin before the Joint Congressional Committee on the Economic Report.

Continued on page 38

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At special meetings held March 30, shareholders of **The National City Bank of New York** and of **The First National Bank of the City of New York** approved a merger of the two banks under the name of **The First National City Bank of New York.**

Following approval by the Comptroller of the Currency, the merger became effective March 30.

National City shareholders authorized the merger by a vote of 8,280,383, or 82.8% of the 10,000,000 shares outstanding, to 17,033. Shareholders of First National approved it by a vote of 256,046, or 85.3% of its 300,000 shares, to 4,749. Ratification by holders of two-thirds of the stock of each bank was necessary to effect the merger.

The headquarters of the First National City Bank will be located at 55 Wall Street — National City Head Office—and the staff of First National will be located at this address, beginning March 31. Former headquarters of First National at 2 Wall Street will become a branch of First National City, the 72nd in Greater New York. All National City branches will continue at their present locations under the new name. The Corporate Trust Department maintained by National City and its trust affiliate, City Bank Farmers Trust Company, will move to the First National building, where the Corporate Trust Department of the First National Bank will remain.

The first combined statement of condition of the new institution, as of March 31, will be published on Tuesday, April 5. As of Dec. 31, 1954 combined total resources of the two institutions, including those of City Bank Farmers Trust Company of $143,000,000, were $7,180,000,000. Combined deposits of National City including City Bank Farmers and First National amounted to $6,301,000,000. Since the assets of First National were acquired by a cash payment of $165,000,000 for the 300,000 shares outstanding rather than through an exchange of stock, the capital structure of First National City remains the same as National City's.

At the year end, total capital funds were $585,000,000, including $32,000,000 capital funds of City Bank Farmers Trust Company.

Howard C. Sheperd, Chairman of the Board of National City, will be Chairman and chief executive officer of First National City. Alexander C. Nagle, formerly President of First National, will become a Director and Chairman of the Executive Committee. James S. Rockefeller, President and Richard S. Perkins, Vice Chairman, and other members of the senior management of National City will continue in their present positions. Grant Keehn, Executive Vice-President of First National, will become an Executive Vice-President of First National City.

Five Directors of First National have become members of the Board of First National City. They are Mr. Nagle, George F. Baker, Jr., Percy Chubb II, Edward S. Moore, Jr., and William C. Stolk. The Board will have 25 Directors, including 20 of National City's former Directors. Curtis E. Calder, Chairman of the Executive Committee of Electric Bond and Share Company and a Director of National City since 1931, has resigned from that Board for reasons of ill health. Mr. Sheperd expressed deep gratitude for Mr. Calder's service to the bank, declaring that his resignation was accepted with the utmost regret.

Bank of the Manhattan Company of New York has acquired the total assets of the **Bronx County Trust Company** and as of March 21 the Bronx (New York City) institution became a part of the Bank of Manhattan's citywide banking system, it was announced in a joint statement by Lawrence C. Marshall, President of Bank of the Manhattan Company and Thomas P. Lynch, President of Bronx County Trust Company. Under the terms of the agreement, which received official approvals during the current month, Bank of the Manhattan Company paid $7,426,466 plus net operating earnings from the first of the year until the date of sale. Acquisition of the $80,000,000 institution gives Bank of the Manhattan Company nine new offices, bringing its total in the Borough of the Bronx to 14 and swelling its grand total to 67.

Officials of the bank emphasized that the merger would not affect the operations of the former Bronx County Trust Company offices and that the present staff will continue to serve the bank's customers as in the past. All officers of the Bronx County Trust become officers of Bank of Manhattan. Thomas P. Lynch, the Bronx County Trust President, has been elected a Vice-President of Bank of Manhattan and will be in charge of the bank's 16 offices in the Bronx and Washington Heights. Pending his assignment to new responsibilities, Frederick J. Freese, Vice-President of Bank of Manhattan, will be associated with Mr. Lynch in the administration of these offices.

The Bronx County Trust Company, originally known as the **Twenty-Third Ward Bank** of the **City of New York**, was the last of the old Ward Banks to surrender its title. It was chartered in 1888 and claims the distinction of having served the people of the Bronx longer than any other banking institution. The name of the bank was changed to **Bronx County Trust Company** in 1925. Its deposits have grown from $252,260 in 1890 to $70,966,000 at the end of 1954. Bank of Manhattan's year-end deposits were $1,472,000,000. The Bank of the Manhattan Company has played an active role in Bronx banking for 27 years. In 1928 Manhattan acquired the three offices of the **Bronx Borough Bank**, founded in 1893, and three offices of the **Bronx National Bank**, founded in 1907. Mr. Marshall said that the merger would not affect the long-standing personal relationships which have grown up between the Bronx County Trust Company and its customers.

* * *

Shareholders of the **Chase National Bank** and the **Bank of Manhattan Company**, both of New York City, in special meetings on March 28, approved by record votes the proposal to merge the two banks. Subject to approval by the regulatory authorities, Chase and Manhattan are scheduled to be formally joined as of the close of business today, March 31, and will begin operations in the following day as **The Chase Manhattan Bank.** The proposal to merge the banks, whose combined assets of more than $7,500,000,000 will create New York's largest bank, was announced jointly by the managements of the two institutions on Jan. 14.

At the Chase meeting, held Monday forenoon this week at the bank's head office, a total of 6,405,062 shares, representing 86.55% of the bank's 7,400,000 shares outstanding, were voted in favor of the merger, while 20,990 shares were voted against. At the afternoon meeting of Manhattan shareholders at 40 Wall Street, 2,301,034 shares or 83.67% of the 2,750,000 shares outstanding, were voted for the merger, compared with 14,419 shares voted against. The plans incident to the merger were noted in our issues of Jan. 20, page 273, Feb. 17, page 810, and Feb. 24, page 936.

* * *

Colonial Trust Company of New York, announced on March 25 that sale of a new issue of its stock has brought its capital funds to more than $5,000,000. The bank, of which Arthur S. Kleeman is President, has just completed distribution of an additional 20,000 shares of its capital stock at a price of $50 per share. The stock was sold to holders of the bank's previously outstanding 40,000 shares on the basis of one new share for each two shares previously held.

* * *

Cyril M. Wilson, former Manager, and Michael Romanenko, former Assistant Manager, have been appointed Assistant Vice-Presidents of the **Chemical Corn Exchange Bank of New York,** it was announced on March 25 by N. Baxter Jackson, Chairman. Mr. Jackson also announced the appointment of Robert T. Snyder, former Assistant Manager, as Assistant Secretary. Messrs. Wilson and Snyder are at the bank's Waldorf-Astoria office where Mr. Wilson will continue to be in charge. Mr. Romanenko is located at the bank's Rockefeller Center office.

* * *

The Seaman's Bank for Savings of New York, announces that after the close of business on Friday, April 1, all services and departments of the bank will be removed from 74 Wall Street to new quarters of the bank's main office at 30 Wall Street, New York. The opening of the new main office at 30 Wall Street will take place on Monday, April 4, from 8:30 a.m. until 6:00 p.m.

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The appointment of Dwight G. Allen as an Assistant Treasurer of **Manufacturers Trust Company, New York** was announced today by Horace C. Flanigan, President.

Mr. Allen is assigned to the bank's Far Eastern Representative Office in Tokyo, Japan. He came to the bank in 1946. In 1953 Mr. Allen was appointed an Assistant Secretary.

At special meetings of stockholders of **The Public National Bank and Trust Company** and **Bankers Trust Company,** both of **New York City,** held March 24 at the respective banks, approval was voted of a Plan and Agreement of Merger, under terms of which the two banks will begin joint operations under the name of **Bankers Trust Company,** following approval of the various regulatory authorities. The vote in favor of the merger at The Public National Bank meeting was 754,519, or 86.7%. 552 shares were voted against the merger. The Public National has 870,000 shares of capital stock outstanding. The vote in favor of the merger at Bankers Trust Company was 2,541,880, or 83.3%; 10,333 shares were cast in opposition to the merger. Bankers Trust has 3,051,200 shares outstanding. Under the terms of the merger agreement, stockholders of The Public National will receive one-and-one-eighth shares of Bankers Trust Company stock for each share of Public National.

At both meetings, the Presidents of the two banks, S. Sloan Colt at Bankers Trust, and E. Chester Gersten at Public National, made the following statement:

"This merger is subject to the approval of the State Superintendent of Banks of New York as well as the Federal Reserve Board. We understand that the Federal Reserve Board usually does not act in cases where the merged institution will be a State bank until the Superintendent of Banks has indicated that he is prepared to approve. We have been in constant communication with the Superintendent of Banks of New York. He has advised us that as soon as his office has considered another merger, the data on which was filed prior to ours, our merger will receive prompt consideration. If all goes as expected, we look forward to opening as a combined institution on the morning of April 11."

When the merger is finally approved, Bankers Trust will gain 25 additional offices in Greater New York, bringing to 42 the total number of banking offices located in Manhattan, Bronx, Brooklyn and Queens. As of Dec. 31, 1954, Bankers Trust Company had total resources of $2,279,456,084 and deposits of $2,023,542,721. On the same date, Public National reported total resources of $564,344,125 and deposits of $507,490,150. Following the merger, Bankers Trust will have outstanding a total of 4,029,950 shares of capital stock. All of the officers and staff of Public National will be retained in the merged institution. Mr. Gersten is expected to be elected to the post of Executive Vice-President and member of the Board of Directors of Bankers Trust, and Henry L. Moses, presently a Director of Public National, is also expected to join the Bankers Trust Board of Directors. Items bearing on the merger of the Public National Bank with the Bankers Trust Company appeared in our issues of Feb. 24, page 936 and March 3, page 1034.

* * *

The Baldwin National Bank & Trust Co. of Baldwin, Long Island, New York, with common stock of $260,000, and preferred stock of $7,500 (retirable value $30,000) and the **Peoples State Bank of Baldwin,** with common stock of $262,500 were consolidated, effective March 4 with the **Meadow Brook National Bank of Freeport, Long Island, New York,** under the charter and title of the last named bank. At the effective date of the consolidation the consolidated bank had a capital stock of $4,746,750 in 474,675 shares (par $10 each); surplus of $4,146,610 and undivided profits and reserves of not less than $646,640.

* * *

F. Stanley Schaefer, Vice-President in charge of **The County Trust Company's White Plains, N. Y.,** Katonah and Yorktown Heights offices, completed 35 years of service last week. Mr. Schaefer started work as a Clerk with the **Northern Westchester Bank** which recently merged with the County Trust Company. He has been an officer since 1927, a Vice-President since 1941.

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The New York State Banking Department reported on March 16 that approval was given to the **Peoples Bank of Hamburg, New York,** to a certificate of increase of capital stock from $250,000, of 50,000 shares (par $5 per share) to $330,000, consisting of 66,000 shares of the same par value.

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The National State Bank of Elizabeth, N. J., increased its capital as of Jan. 24 from $800,000 to $1,000,000 by a $200,000 stock dividend.

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Announcement that Henry W. Webber has been appointed an Assistant Secretary of the **Howard Savings Institution of Newark, N. J.,** was made on March 22 by

Continued on page 45

THE MARKET ... AND YOU

By WALLACE STREETE

The bulk of the stock list went through what was mostly a backing and filling experience this week while special issues, including somewhat prominently some of the atomic energy items, put on their own spectacular shows. Coppers stood out on good group action when the price of the metal was lifted by 3 cents a pound. The strength was a bit surprising since the move had been widely predicted due to the disparity between the local level and world markets, and recent strength in the issues had been thought to have discounted the boost in advance.

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When it came to companies that have any remote connection with atomic developments, the gains were sustained and spectacular.

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Baldwin-Lima, which is cooperating in a study on the feasibility of an atomic-powered rail locomotive, was able to add an appreciation of more than 20% in the stock's value in a single session. Bath Iron Works, selling some three times higher than Baldwin, simultaneously was able to post an 18% price improvement. General Dynamics, which already has one atomic-propelled submarine to its credit, posted some abnormally large gains to keep interest in the group diversified.

* * *

A Split Favorite

In the case of General Dynamics, the stock was split two-for-one via a 100% stock dividend only a few weeks ago. The new issue posted a high this week that about equaled the best price reached by the old stock last year. There was much merger talk linking Dynamics and Bath Iron, but it ran into an official denial.

* * *

Among the defense issues that shared in the limelight was Newport News Shipbuilding which rushed to an historic high on some of the larger day-to-day gains around, running as much as half a dozen points at a clip. This issue's best in the 1946 bull swing was less than $35. It more than doubled that level in its recent popularity, which is a feat that only some of the blue chips have been able to duplicate. Babcock & Wilcox and Combustion Engineering, which have shared some of the defense popularity, were occasionally clipped back a bit hard on profit-taking.

* * *

Some pinpoint attention in the electronics issues was able to impart enough strength for some sharp rises in a couple of the stocks, notably Stromberg Carlson which showed it could muster as much vigor as the best of them. But Zenith, which has an occasional fling in the spotlight, was resting for the most this week from just such an outburst, and it was occasionally prominent in the casualty column.

* * *

Chemicals Mixed

Drug issues, and Parke Davis in particular, fared a little better than the general run of issues behind the glamor of the Salk vaccine for polio. The standard chemical companies, however, were largely neglected with duPont taken to sagging more times than not. Allied Chemical, which was bypassed in several recent market runups, showed little inclination to do more than back and fill just under the $100 line. American Potash was the best acting of the chemical issues and posted some convincing runups. Virginia Carolina Chemical was able to push to new highs which makes it somewhat unique in a section not given lately to toying with peak levels.

* * *

The aircraft pattern was ragged, the group contributing an outstanding laggard to almost every session, with Douglas often turning up in that role. The issue put a couple of losing sessions together with an apparent air of aiming for a test of the low before bothering about the recent high. At one stage only a couple of points remained for it to reach the low, against the more than a dozen points required to return to the

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U. S. Hoffman Machinery continues to perform wonders in its way with some of the enthusiasm showing all the earmarks of being based far more on high hopes for the future rather than on some of the solid achievements of the past. The stock sold under $15 last year before starting its spirited recovery. It sold around $60 this week in posting another new high in the string which started when the company resumed dividend payments for the first time since 1947.

* * *

Some Oil Sprinters

Oils, as usual, were able to offer a sprinting issue or two to the general picture but without any great overall progress being made by the division generally. Houston Oil this week took over the baton from last week's favorite, Deep Rock Oil. Gulf Oil, which responded to good earnings with good strength, subsided for the most to digest its gains. Texas Co. was among the better acting, while the Standard companies showed little determination in either direction. Superior Oil of California, an inactive issue, traded above the thousand dollar mark a couple of times to keep possession of the title of the highest priced issue currently on the Stock Exchange.

* * *

Stir in Mining Issues

The long-neglected mining companies showed some signs of stirring, undoubtedly due far more to uranium hopes than to any great change in the precious metal situation. Newmont Mining, with an extensive portfolio in mining companies generally, was the star of the section in posting a new high.

* * *

Automotive issues did little, except for an early flurry in Chrysler as the result of a weekend plug over the airwaves. That Chrysler's hour of decision with the unions over the guaranteed annual wage will come a bit later than in the other companies has kept the issue a shade more buoyant than the rest, but all of the auto issues show a cautious attitude by traders. The independents, even without being union targets, showed little demand and are lolling far closer to their lows than to their peaks.

* * *

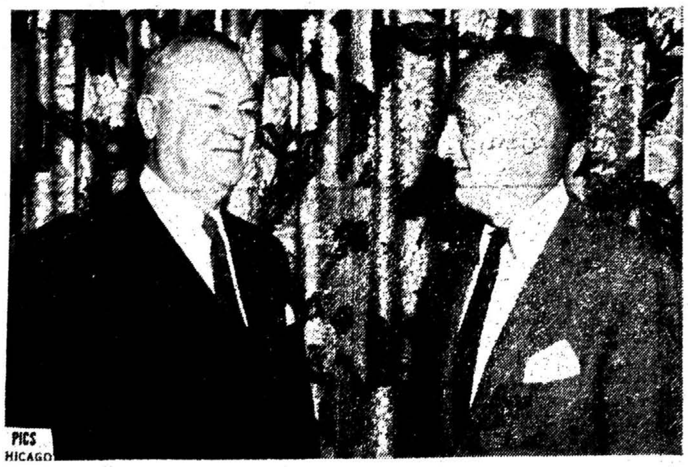
Electrical equipment shares were in much the same trough as the auto makers. Westinghouse occasionally put on a tentative show at getting going, but not much came of it. General Electric ignored market trends with what came close to being a classic show of indifference. Master Electric and McGraw Electric both idled around in narrow ranges, neither having built up a trading range of more than a few points so far this year.

* * *

Rails outperformed the industrials, at least as far as the averages indicated, but it was a pretty spotty performance indicating little investor preference. What gyrations there were were largely a case of trader anticipation on the eve of dividend meetings and little came of them.

[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.]

At Central States IBA Conference



Walter A. Schmidt, left, President of the Investment Bankers Association of America, and Thomas W. Evans, Chairman of the Central States Group of the IBA, are shown at the Nineteenth Annual Conference of the Central States Group, held March 16 and 17 in The Drake, Chicago. More than 400 investment bankers from all parts of the country attended the Conference.

Mr. Schmidt is a partner in Schmidt, Poole, Roberts & Parke, Philadelphia. Mr. Evans is Vice-President of the Continental Illinois National Bank and Trust Company, Chicago, in charge of the municipal bond department.

With J. Logan Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. Bruce C. Dunn has joined the staff of J. Logan & Co., 210 West Seventh Street.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Kenney A. Burgess is now with Mutual Fund Associates, 444 Montgomery Street.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—George E. Fowles is now with Walston & C., 550 South Spring Street.

With J. M. Barbour Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Marguerite Moreland has joined the staff of John M. Barbour & Co., Citizens Bank Building.

Avery Eppler Adds

(Special to THE FINANCIAL CHRONICLE)

REDWOOD CITY, Calif.—Chris A. Mitchell has been added to the staff of Avery L. Eppler Company, 1839 Broadway.

William Blair Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Bruce Thorne is now connected with William Blair & Company, 135 South La Salle Street, members of the New York and Midwest Stock Exchgs.

Salomon Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert C. Hill has been added to the staff of Salomon Bros. & Hutzler, 231 So. La Salle Street.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Marcus E. Borinstein and Noel N. Rothman are now with Shearson, Hammill & Co., 208 South La Salle Street.

Joins Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Charles A. Brand has become associated with Renyx, Field & Co., Inc.

Two With Ashton Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Alfred P. Lawitzke and Wirt Lee are now with Ashton & Co., 15315 West McNichols Road.

Government Influence on Security Markets and Business Trends

By J. ROSS OBORNE
Asst. Manager, Nesbitt, Thomson & Co., Ltd.
and
HERBERT C. ANDREAE
Director, Dominion and Anglo Investment Corp., Ltd.

Two prominent Canadian investment bankers, in commenting on the situation in the securities market, point out that government control of interest rates furnishes a most effective means of controlling the flow of business and the securities markets. Say investors have raised the banner of confidence, and the market may continue upward, if not subject to the violence of inflation and the threat of war-time taxes. Concludes, if government required that business be discouraged temporarily, it would do so during a period of dangerous inflation, and, therefore, until fundamental conditions change so as to bring about inflationary pressures, we can look into the future with confidence.

When we look back on the stock and bond markets of 1955 will it be an agreeable contemplation? At this juncture a good many of


J. Ross Oborne


H. C. Andreae

us would like to have that answer. An unprecedented rise in both security markets in 1954 has left all classes of investors with the feelings of well being. Even those who consolidated profits by selling stocks and buying bonds have had the satisfaction at least of seeing their bonds rise in price. This general feeling of well being, however, is disturbed here and there by doubts about the future. Never have the market analysts sharpened their pencils so carefully as they are doing now. Never were such factors as technological advances, rolling inflation and long-term growth so carefully analyzed. Never were charts more accurately plotted, and more abstruse calculations weighed and balanced. Many and varied are the conclusions and weird and wonderful are the emergent ideas.

One of them is that the government has found a most effective means of controlling the flow of business. If it is true that such a means exists, then it follows that the whole economy can be stepped up or slowed down at will. In turn it would logically transpire that the security markets could be likewise affected.

To find some truth in such a statement let us look at the basic concept. Again a simple principle is evident, that it would be better for the economy as a whole if business did not expand too rapidly or contract too violently. In brief if the large bumps and hollows were ironed out it would be better for everyone.

The problem then is to keep business from expanding too rapidly at certain periods and from contracting too severely at others. As business cannot expand without the use of money in one form or another and normally contracts because of a lack of it, then the control of business would appear to be directly concerned with this medium. Of most direct concern is what business has to pay to borrow money. Obviously if a business is forced to pay too high a rate of interest in relation to anticipated profit margins, expansion may not take place. Here is the whole crux of the matter. People will normally borrow money when the rate charged for its use is low and that they will generally tend to cease to borrow it when the rate is high.

Rate of Interest—The Focal Point

If there is certain truth in such a statement then the focal point or our whole idea would have a direct bearing on this one factor, the rate of interest charged for the hire of money.

If a change in the rate of interest charged for money can either encourage or discourage borrowing then business expansion can be stepped up or slowed down. That the government has made full use in "managing" interest rates to influence business is almost an accepted fact.

To carry this further I quote from an article of mine in the "Commercial and Financial Chronicle" of New York in October, 1954—

"This policy of 'managed money' is clearly shown by the actions of the U. S. Government in the last few years. Before the Eisenhower Administration took over, continual controversy existed on the question of whether interest rates should be low or high. One faction favored high interest rates to curb inflation; the other low interest rates because of the cost of carrying the tremendous war debt. Interest rates were low at the time Eisenhower took over. From then on the policy changed. Efforts to curb inflation and make a dollar worth a dollar were resorted to. Interest rates went up and they went up quickly. It took business a little longer to react but, when it did, it showed all the signs of a healthy recession in the offing.

By June of 1953 rates were the highest in 15 years. By then everyone was worried. England was positive that the U. S. was going to put the whole Western World into a major depression. Business outlook was poor, business expansion had slowed down and inventories were high and not moving. Unemployment figures were rising rapidly. The U. S. Government even started to panic. They need not have been too concerned because the method used in raising interest rates to slow the bloom could be just as effectively used to start the boom again.

Before the end of June, 1953, the whole policy of high rates had changed and low rates were on the way again. This policy has continued up to the present time with only recent small interruptions. To give you an idea of what these changes in interest rates mean to you and me, let's look at a few examples here in Canada. Canada, incidentally, has followed the same general pattern as the U. S. A.

In 1952, a prime first mortgage could be obtained for about 4½%, by June, 1953, the same type of mortgage would have carried a 6% rate. Perhaps today the rate should be about 5%, but oddly enough mortgage rates have a habit of going up much more quickly than they come down. Similarly a loan from a bank in 1952 might have been obtained at about 3½%. By mid-1953 this rate was about 5%. Even now this picture has not changed very much. While mortgages and bank loan rates have sometimes been slow to change, the bond market has reacted more quickly. For example, in June of 1951, Dominion of Canada 9th Victory Loan 3% Bonds due June 1, 1966, were selling at $98.00; by June of 1953 they had reached a low of about $92⅞; they are now selling at about $101⅝.

Because security markets are directly concerned with changes in interest rates, it is not surprising that there have been wide price fluctuations. We are now back where we started from. If some agreement has been reached the one main idea emerges as a possible truth. The government can influence business by influencing interest rates.

A Look Into the Future

Let us keep this idea in the back of our minds and then try to look into the future a little in relation to business and security markets.

There are few predictionists that paint a gloomy picture for business in 1955. Almost to a man, economists, business leaders, politicians and analysts give full support to a high level of business activity. Perhaps that is why the bond markets and stock markets are so strong, giving full support also to the future. Let us assume that our predictionists are right that business will be good in 1955.

Does this of necessity promise a higher stock market? It may, in the absence of inflationary pressures. In the post war period we have had quite a few good years. Until 1954, however, these good tidings failed to reach the stock market.

It is true that we saw a gradual increase in the market averages between 1946 and 1953, but these hardly matched the progress recorded in earnings during the seven prosperous years. From 1947 to 1950 the Dow-Jones Industrial Averages sold at eight to nine times earnings. From 1950 to 1953 they sold at 10 times earnings. In 1955 these same Industrials approach a 15 times earnings multiple.

This multiple is reminiscent of the later 30's and the several years preceding the 1929 crash. This of itself does not constitute a threat. The relationship is of interest, however, because it points up the environment in which the market can sell at its best multiples. It is an environment of some political certainty, some certainty as to taxes, and most importantly some certainty as to the overall level of prices.

Contrast the price-earnings ratios of 1926-1928, 1938-1939, 1954-1955 with those prevailing in 1947-1950. The hypnotic chant "that inflation will benefit common stocks" heard so often and insistently in the post war years has died away in the past 20 months. Well it might. Events have proved it a false axiom once more. In periods of inflation the market has lagged behind other indices. On the other hand the market averages have flourished in the recent months of quiescence on this front. Experience has proven that common stocks do best in a peaceful non-inflationary environment. Hence our qualification that the market may continue upward if it is not subject to the violence of inflation and the threat of war-time taxes. In brief it must be given a peaceful, conservative environment in order to flourish.

In 1954 the "investor" is said to have raised the banner of "confidence." There can be no doubt that willingness to believe in the continued growth of the economy will remove debilitating doubts and that a certain amount of money has been "attracted" into the market as a result of growing "confidence." In the demand-supply equation for common stocks the marginal balance of preponderance can, however, seldom be attributed to a "single" cause.

It is generally recognized that "attractiveness" of stocks has drawn conservative pension-type money into the market. It is less generally recognized that some of the marginal demand for stocks may come from the opposite corner of the financial field. Some of the demand for stocks may well be attributed to idle funds normally engaged in "Other" equity type investments such as real estate, commodities and business.

Whereas these "Other" sectors of equity investment flourished during an inflationary era such as we enjoyed during 1946-1951, they have languished in more recent months. The return on such funds has probably followed fairly closely the average profit margin in industry at large. The relative attractiveness of common stock investment to this kind of money has grown as the inflation-benefited rewards to such "Other" equity money has shrunk. It is suggested that the resumption of inflationary pressures would again beckon forth such money into the green pastures of inflation-speculation. The marginal supply of stocks might then gain ascendancy over demand at the very time when other factors such as harder money and higher taxes could weaken demand.

Should the government in its wisdom require that business be discouraged temporarily from further expansion, it would probably be during a period of dangerous inflation. In the meantime, the government has the effective means through the management of interest rates, to make any necessary influence felt. For the time being, and under peaceful conditions, the government has an acknowledged policy of levelling out the bumps and hollows in the economy. As of today this policy requires a benign ease of money, a condition which perfectly compliments the other attributes of a prosperous environment for the stock market. Until fundamental conditions change so as to bring inflationary pressures into prominence, we can look upon the future with confidence.

Bond Club Field Day Set For June 3

The annual Field Day of The Bond Club of New York will be held this year on Friday, June 3, it was announced by Ranald H. Macdonald of Dominick & Dominick, President of the Club. This year's outing will be the 31st for the Bond Club and will take place at The Sleepy Hollow Country Club, Scarborough, N. Y.

W. Scott Cluett of Harriman Ripley & Co., Incorporated, has been named Field Day Chairman this year. He will be assisted by four general Chairmen—Robert A. Powers of Smith, Barney & Co.; Charles S. Werner of Wertheim & Co.; Blancke Noyes of Hemphill, Noyes & Co. and A. Halsey Cook of The National City Bank of New York.

Thirteen Committees will handle the sports, entertainment and other activities at the outing. Mr. Macdonald announced the appointment of the following Committee Chairmen: Entertainment Committee, Avery Rockefeller, Dominick & Dominick; Golf Committee, Philip K. Bartow, Wood Struthers & Co.; Attendance Committee, Robert H. B. Baldwin, Morgan Stanley & Co.; Bawl Street Journal Committee, Wickliffe Shreve, Hayden Stone & Co., Chairman; Robert J. Lewis, Estabrook & Co., Acting Chairman; and John A. Straley, Investment Dealers Digest, Editor; Bawl Street Journal Circulation Committee, Robert L. Hatcher, Chase National Bank, Chairman, and William S. Renchard, Chemical Corn Exchange Bank, Vice Chairman; Special Features Committee, Orin Leach, Estabrook & Co.; Food and Beverage Committee, Walter H. Weed, Jr., Union Securities Corp.; Tennis Committee, Braman B. Adams, Adams & Peck; Arrangements Committee, Raymond Stitzer, Equitable Securities Corp.; Trophy Committee, Arthur F. Searing, C. V. Starr & Co.; Stock Exchange Committee, Gilbert H. Wehmann, White Weld & Co.; Horseshoe Committee, Glenn Hartranft, Clark, Dodge & Co.; Publicity Committee, William H. Long, Jr., Deremus & Co.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

NEWBERG, Oreg. — Floyd A. Rister is with King Merritt & Company, Inc.

Business of Refining Uranium Ores

By EUGENE B. HOTCHKISS*
Vice-President, Vitro Corporation of America

Picturing the uranium business as an exciting one in the present state of the North American mineral industry, Mr. Hotchkiss characterizes the rapid rate at which new prospects of uranium discoveries as fantastic. Presents facts and opinions regarding the supply of uranium ore and its potential demand, and the means of concentrating the ore at a profit. Says use of nuclear energy is dependent on future power requirements. Reveals task of milling or concentrating uranium ores is complicated, and recommends establishment of regional custom mills, but wants no further extension of government activity in the industry.

The present state of the newest and fastest growing operation in our North American Mineral Industry — the uranium business — is an exciting one. The rate at which new prospects have been discovered in Canada and in the United States, to say nothing of other parts of the world, is fantastic. And in the older properties — and I use the term advisedly — exploration and development are daily increasing the proven tonnage of economic ore by huge quantities. These facts are obviously immensely satisfying to the prospector, the developer and the miner, whose prime concern is the supply of ore in the ground. But what sort of existing or potential demand welcomes this increasing supply of ore? And how well equipped are we to convert this ore into a marketable concentrate —and at a profit?


Eugene B. Hotchkiss

I would like to present here a few facts, some opinion, and a few hunches, which I hope may put this problem in a manageable perspective, but first, I would like to recall briefly some past events in the development of atomic energy and some forecasts that were made as it progressed. They may provide an interesting point of departure for our attempt to look into the future.

We are perhaps too prone to forget that it was only a bit less than 50 years ago when one of the foremost scientists of the time, Lord Kelvin, asserted that the atom was absolutely indestructible. A quarter of a century later Lord Rutherford, addressing a meeting of the British Association for the Advancement of Science—in the same hall where Kelvin had made his flat assertion — announced that he had bombarded atoms in his laboratory and had split them into fragments.

His accomplishment was of immense significance, but as reported in the New York "Herald Tribune" of Sept. 13, 1933, his forecast was, and I quote: "The energy produced by the breaking down of the atom is a very poor kind of thing. Anyone who expects a source of power from the transformation of these atoms is talking moonshine."

Tremendous scientific activity followed Rutherford's discovery. Hahn and Strassman split the uranium atom; Meitner confirmed their experiments and measured an enormous release of energy in the fissioning process. Szilard predicted the chain reaction, and in a little over a decade, Rutherford's predication of the futility of power from the atom disappeared in a fiery mushroom cloud over Hiroshima.

Even those who engineered this release of the greatest force ever harnessed by man were quite sure their discovery was but an instrument of mass destruction; and though the batting average of our scientific soothsayers was declining at an alarming rate, the temptation to prophesy was apparently as strong as ever. It was only a scant five years before the Nautilus, our nuclear powered submarine, stood out into the North Atlantic last month, that one of our foremost scientists disposed of the possibility of nuclear propulsion for ships by snorting "horse feathers."

Uranium Supply Increasing

We have stated that the supply of ore is rapidly increasing. Let us admit that a major reason for this is because of the artificial stimulus of government production bonuses, subsidies and guarantees. We are still in what Dr. Lawrence R. Hafstad (former head of Reactor Development of the U. S. Atomic Energy Commission) calls the windfall era, because of military requirements. National self-interest demands that we be military strong; but on a long-term basis our strength must be based on a sound, free enterprise economy which we in the States, and I believe our Canadian friends as well, have never felt was consistent with the presence of government in business. When government purchase contracts expire April 1, 1962, will we be prepared to carry on with the constructive uses of nuclear energy without government subsidy? What are we doing to prepare ourselves for it?

Use of Nuclear Energy Dependent On Future Power Requirements

The long-range future for nuclear energy is dependent upon the expanding power requirements of our society. Within the next several decades peak production of the fossils fuels will be reached. I am informed that with the exception of Quebec, British Columbia, and to a lesser degree in Ontaria, where unharnessed hydro power exists, Canada must look to thermal power generation to meet her future requirements. If we are to avoid major increases in the unit cost of energy, new low-cost sources must be prepared and perfected to absorb the demand. Already the cost of nuclear fueling appears to be approaching that of coal in the generation or electric power, and in the opinion of many people the future of the electric power industry will be based to an ever increasing degree on the use of fissionable fuels.

We know that uranium ores are an international resource. We North Americans have no corner on the richest, the most extensive nor the most accessible ore bodies. Economically recoverable world reserves of uranium are currently estimated at 25 million tons of metal. If we aply to this the accepted estimate that one pound of uranium is the thermal equivalent of 1,500 tons of coal, it can be seen that the power industry should be adequately fueled for some time to come. Uranium miners cannot, therefore, assume that the future will hold any unique advantage for them based on a scarcity of raw materials.

We know too, of the unique characteristics of nuclear power plants which require the replacement of fuel periodically because the fission products generated reduce the reactivity of the uranium after a small amount—presently in the neighborhood of 2% of the fissionable material — has been consumed. Where the fuel is in solid form, as in most heterogenous reactors, structural damage to the fuel elements caused by irradiation effects may require even more frequent fuel changes. This spent fuel, the "ash" of the nuclear power plant, intensely radioactive and toxic, must go through a complicated and time consuming reprocessing cycle to decontaminate the unspent portion of the fuel and prepare it for reuse.

If we may refer here to the law of supply and demand, two facts become apparent at once. The first, and one highly favorable to the mining industry, is the obvious *demand* for a large inventory of nuclear fuel for each new reactor. The second, and more sobering fact is the possibility that as much as 98% of the fissionable material may ultimately come back on the market as a secondary metal *supply* after reprocessing. There is obviously no economic connection between the coal mining industry and the disposal of ash and certainly no other segment of the mineral industry producing a consumable metal—is faced with the scrap problem of this magnitude.

Finally, in any discussion of supply and demand of fissionable materials used in power generation, one should recoginze the potential significance of the breeder reactor. It is a scientifically proven fact that certain types of reactors can actually produce, as a byproduct, more fuel than they consume, and at least theoretically, might produce additional fuel faster than the ability of the power industry to make use of it.

But if I have painted a gloomy picture of tremendous and rapidly expanding resources of ore—if I have overstated the huge potential supply of secondary metal—if my worries are overdrawn about the demand for our product being controlled by a short-term government requirement for weapons, backed by an infant nuclear power industry that promises to create more fuel than it uses—if all this is too pessimistic—then permit me to recall to you how far from the mark were our earlier and more learned prognosticators in their forecasts of the future.

Let us bear in mind that the present installed electrical generating capacity in Canada exceeds 21 million KW and on the basis of past experience with the rate of expansion of the industrial and domestic economy of Canada may be expected to increase at least 20-fold over the next 50 years. Coal and water power will obviously supply a substantial portion of this projected expansion. But this still leaves a huge potential demand for fissionable fuels — even under existing schemes for energy generation.

Perhaps even more important is the fact that we are not by any means limited to the present generation schemes and there is small reason to believe that we will stick to them. Furthermore, with the recent successful demonstration of the use of nuclear energy for ship propulsion in the Nautilus, and the fact that significant progress has been reported in the development of atomic powered aircraft, I would say the future of the uranium business looks economically bright.

The Concentrating Process

So much for our evaluation of the supply of uranium and the real and potential demands that await it. Our immediate concern lies in the concentrating process that is the pipeline connecting the two; that first step in the highly complicated series of chemical and metallurgical processes that collects and converts minute quantities of complex minerals into an enriched metal, ready for the atomic fire box.

The task of milling of concentrating uranium ores is complicated by the fact that there are now recognized to be over 175 uranium minerals, many of which have not yet been completely identified. They grade in size in their natural occurrence from massive chunks down to particles in the micron range. Their chemical composition is frequently as complicated as the pedigree of an alley cat, and the gangue minerals that accompany them vary even more widely. The Grand Junction Operations Office of the United States Atomic Energy Commission has tentatively classified uranum ores into 13 groups, which have been further subdivided into 27 categories for which special treatment techniques are recommended.

The metallurgists' first problem is to break down the minerals and get the uranium into solution. Obviously, some ores are more amenable to an acid leach, others are solublized in a carbonate solution, still others resist attack by either. Since the ore is generally quite lean, large quantities of the associated gangue minerals must be handled to get at the ore, and each type is apt to exert its own peculiar malevolent influence over the extractive process, either in causing excessive reagent consumption at the start or in gumming up the processing circuit in subsequent operations.

In a very interesting article in September 1954 "Engineering and Mining Journal" entitled: How to Extract Uranium From Ores, Mr. William L. Lennemann, metallurgical engineer at the Grand Junction Operations office of the U. S. A. E. C., makes the statement which I quote in part, "Generally speaking, once the uranium is in solution, it should be considered as 'in the can' . . ." I would hesitate to question Mr. Lennemann's statement, but from experience I can add that the average mill operator generally sighs deeply when this point is reached.

The precipitation of extraction of uranium once it is in solution may be accomplished in several ways. However, this portion of the process is classified for security reasons and we can only generalize about it. One common way of recovering the uranium is to precipitate it as an insoluble compound. Recently ion exchange techniques have been used — I believe the new mill planned for Mr. Hirshhorn's Pronto property plans to employ this technique. There also have been recent developments in solvent extraction techniques which appear to have certain advantages. But each process has its own family of problems.

Normally a mill is set up to process the ore from a particular mine after sufficient quantities have been blocked out to warrant the expense of a processing facility. Because of the expense of handling and hauling a lean ore, its location is generally fixed as close to the mine mouth as possible. I was talking to one of our fellow miners on the Colorado Plateau a week ago who told me he would plan to erect his own mill when he had 300,000 tons of proven ore. He had in mind a mill of 200 tons daily capacity, which in his mind at least, represented the minimum practical size. There is no rule of course.

The Question of Refining Costs and Output

But it is a well known fact that mill costs go down as the daily throughput goes up. It is always wise to remember that the financial backing necessary to build a new concentrating plant comes much easier when the plant promises to be a moneymaker. And if the bororwings can be paid back before the government purchase contracts expire, so much the better—at least from the initial financing standpoint. But when the industry becomes of age and there is no further government support; when competition instead of contracts determines the price of the mill product, all other things being equal, the large mill will have a tremendous advantage over the small one.

Custom milling, where a wide variety of ores must be treated and where frequently the available supply is not assured, can present a wider range of problems. This is what the Vitro Corporation of America faced when it started up its uranium refinery in Salt Lake City in 1951. At that time, the state of the art of uranium refining was nowhere near as advanced as it is today, and while we had a fine group of engineers and metallurgists, knowledgeable in uranium chemistry, to design and operate our plant, they were certainly unburdened by previous experience in the art of producing uranium concentrates from its ores.

As custom millers, we had to rely on ores in small amounts from many different sources, each varying widely in composition from the others. Some were clean and pulverant, resembling beach sand in color and texture; others were sticky black bituminous types that one could almost light with a match and once kindled, would burn for hours in the roasters. Perhaps half our normal mill fee was this asphaltic uranite with a mixture of pitchblende. Another 10%-20% was of various nonbituminous becquerlites and uranites, and the balance made up of autonite, carnotite, torbernite and many others. There was very little continuity in the mill feed and we were often plagued by a shortage of amenable ores of any kind.

For quite a while, we had a very rough time indeed, and more frequently than we care to remember the question of whether we were going to lose our corporate shirt seemed to be clearly decided.

But there was this advantage in our adversity. Every phase of the milling problem had to be thoroughly studied — roasting, grinding, leaching, the effect of oxidants, temperature and aeration, and the effect of each of these steps on each type of ore, was carefully explored. The problems of slimes, liquid-solid separations and the upgrading of the initial concentrate were worked on until they were thoroughly understood, if not immediately solved. In our extraction problems, we were fortunate in having the full interest and assistance of the United States Bureau of Mines and our own Engineering and Laboratories Divisions. Through these sources we were able to make a thorough evaluation of various extraction processes.

As our experience factor increased, the yield went up and the operating figures began to be a source of comfort instead of dismay. We enlarged the plant capacity and have several times since increased the size of the operation. At the present time, we are engaged in working out a very substantial further expansion of our milling capacity.

While we have recently formed our own mining subsidiary in conjunction with Rochester and Pittsburgh Coal Company, to guarantee our own supply of ore, we will continue to take ores on a custom basis and we feel that we have demonstrated conclusively how such an operation may be conducted at a profit. As an important adjunct, we have accumulated in our Engineering and

*An address by Mr. Hotchkiss before the Prospectors and Developers Association, Toronto, Canada, March 8, 1955.

Laboratories Divisions a broad technical background in all phases of the chemistry of extraction of uranium from a wide variety of ores.

We have supplemented this know-how with our hard-won but most valuable years of operating experience in our own mill. Our Engineering Division is currently well along in the design phases of several large scale mills for other companies on the Plateau and we are offering this sort of engineering service to the uranium mining industry of Canada as well.

The Problem of Government Purchase Contracts Expiring

In connection with what I have said about the long-term future of the uranium business, it is my own personal hope that as we, in industry, move into this future, government activities will correspondingly decrease but we should recognize that one of the purposes of extending government purchase contract period until April 1, 1962 was to help our new industry get itself established. Is is not sound business judgment to make the most of this assistance and get into production as rapidly as possible?

The larger properties here in Canada with proven supplies of ores are moving in this direction, and in the next few years the uranium milling capacity of the Dominion should increase many fold. But what can the small mine owner do? He may have a good grade of ore but insufficient quantities developed to warrant the expense of a mill of his own. But he represents a large segment of the uranium mining business and collectively, a substantial portion of the total supply of ore. The Crown-owned Eldorado Mining and Refining, Ltd., announced some time ago that it would accept custom ores but obviously there is a definite limit to the available capacity. Furthermore, for all but a few nearby properties, the logistics of hauling ore substantial distances and the increased handling costs through stockpiling during the closed season would seem to weigh against this plan. If there is no spare capacity, should the government enlarge existing plants or should it undertake to provide new facilities? Obviously, it would be presumptuous for an American to offer an opinion on such a question of Canadian policy, but were this question raised in the States, my answer would be an emphatic "no."

I believe one answer to this problem may be found in the establishment of regional custom mills, located where adequate supplies of amenable ore are within an economic radius. Such facilities should be financed, erected and operated by the mining industry itself. Joint ventures of this sort should be possible without too serious a financial burden on individual small mine owners and would permit many of them to start producing a marketable concentrate long before they would ever be able to do so on their own. Furthermore, the joining of several producing properties on such a partnership basis could assure the adequate supply of ore needed to justify a mill of sufficient capacity as to promise the grestest economies of operation.

But this, I repeat, is a problem that should be worked out by the mine owners and the industry as a whole and not through the extension of the government's position in this new industry.

If the mine owner who seeks to become an integrated operator faces his business problems with courage, evaluates them with sound judgment, and acts on them with dispatch, he can rest assured that the metallurgist will solve the technical problems of profitably producing a high grade mill concentrate.

With this sort of team effort, I feel sure the uranium business within the next decade will rank second to none in the mineral operations of the Dominion.

Descartes Exec. Dir. of Puerto Rico Auth.

Dr. Pico to be Sec-Treas.

Appointment of S. L. Descartes, Secretary of the Treasury of Puerto Rico, to the position of Executive Director of the Puerto


Dr. Rafael Pico


S. L. Descartes

Rico Water Resources Authority, effective in May, and appointment of Dr. Rafael Pico, Chairman of the Puerto Rico Planning Board, to succeed Mr. Descartes as Secretary of the Treasury was announced March 29 by Governor Luis Munoz Marin. Mr. Descartes will succeed Carl A. Bock who is retiring after having been associated with the Water Resources Authority since 1935, and its Executive Director since 1953. Candido Oliveras, director of the Economic Research Division of the Puerto Rico Planning Board, will succeed Dr. Pico as Chairman of the Planning Board. All appointments will become effective in May.

Mr. Descartes, Secretary of the Treasury since 1949, is a graduate of Cornell University and the University of Puerto Rico. He was formerly a member of the Puerto Rico Planning Board and Director of the Economic Research and Information Department of the Puerto Rico Industrial Development Company.

Dr. Pico has been Chairman of the Puerto Rico Planning Board since 1942 and Chairman of the Government Development Bank for Puerto Rico since 1953. He is a graduate of the University of Puerto Rico.

ASE Quarter Century Club

Isidore B. Kamp, a reporter on the trading floor of the American Stock Exchange, was elected president of the American Stock Exchange Employees' Quarter Century Club at the annual meeting March 23.

Other officers elected include, Francis X. Gaudino, Vice-President; John W. Gilfillan, Secretary; and Wimont H. Goodrich, Treasurer.

Mr. Kamp began his career as a page on the trading floor of the exchange in 1925.

The Quarter Century Club, organized in 1946, is composed of all exchange employees who have been with the exchange for twenty-five years or longer. The club now has a membership of sixty-seven employees.

New S. F. Exch. Members

SAN FRANCISCO, Calif.—Ronald E. Kaehler, President of the San Francisco Stock Exchange, announced the elections to membership in the Exchange, of Richard P. Gross, general partner of Stone & Youngberg, and Malcolm Skall, an officer and voting stockholder of A. G. Becker & Co. Incorporated.

Both new members will act as Specialist-Odd Lot Dealers on the Floor of the Exchange.

Outlook for Non-Ferrous Metal Market

By SIMON D. STRAUSS*

Vice-President, American Smelting & Refining Company

Pointing out only two mining industries—i. e. gold mining and uranium mining—currently have a price certainty, Mr. Strauss holds present problems of domestic metal producers are high wages and other operating costs, accompanied by fluctuating prices due to foreign competition and changing demands. Says international agreements under government auspices to stabilize markets has had the reverse effect. Concludes, in the long run, the base metal industries will prosper if they stand on their own feet.

The outlook for the non-ferrous metal markets can be summed up in one word, and that word is "change." Change sometimes is for the better, sometimes for the worse.


Simon D. Strauss

In the search for security many people would like to do away with change. They would like to have a fixed scheme of things, something of which they can feel sure. Among miners this desire for permanence and certainty is usually expressed in terms of a wish that prices would remain at profitable levels for the indefinite future.

Two mining industries currently have price certainty—one is the gold-mining industry; the other is the uranium-mining industry. When the $35 gold price was fixed in the early thirties the gold miners felt that at last they were on the threshold of great things. A boom in gold-mining stocks ensued which in every way was as enthusiastic and as profitable to some as the boom in uranium stocks has been more recently.

But over the years the gilt has been rubbed off the edges of the $35 gold price and today the gold miner looks at it very much askance. The cost of labor and supplies of freight and equipment, of every item the gold-miner buys, has increased to the point where the profits have largely vanished. So the gold miner asks for a higher price. When he fails to get it, as so far he has, he then asks the government for assistance. In Canada and Australia, among other countries, he has been given assitance—but it is grudging assistance, doled out as meagerly as a relief check.

The uranium miner, today, is better off. His price has been more recently set and because governments are as eager today for atomic strength as they were once eager for gold reserves, the reward to the uranium miner in terms of today's costs is a generous one. But what will it be 10 years from now if the price remains unchanged and if the world-wide trend toward inflation continues? The world's appetite for uranium may not prove to be insatiable either. All one can say with certainty is that there really is no certainty.

To revert to the base metals—which are the subject of this talk — the desire for assurance of profitable prices has led to a lot of different schemes. In the United States the domestic producers are faced with very high wage costs and are exploiting ore deposits of lower metal content than most foreign mines. They tend to think in terms of higher import duties, import quotas, stockpiling, or even outright subsidy. Outside the United States many of the raw-material producing countries are strongly in favor of international commodity agreements to control production and stabilize prices.

Such agreements, if made, would of necessity have to be based on government direction and participation. The experience of the last 15 years with regard to government control of and dealing in base metals has led some of us, at least, to feel that governments are not quick to recognize changing conditions in commodity markets. And even after they have recognized changes, they are slow to act. If a shortage develops in a given market, a government tends to act as if the shortage will be permanent and only recognizes its disappearence when burdensome surpluses have developed. The result has been that the ameliorative activities of governments, which may have been sincerely undertaken out of a desire to be helpful, have on the whole tended to unstabilize markets rather than to stabilize them.

The present position of the copper, lead and zinc markets reflects not only these governmental activities but also the restlessness of labor, the state of world-wide industrial activity, the competition of other materials, and the progress made in developing new ore resources.

Having described the non-ferrous metals markets, what remains to be said about the outlook? As indicated at the very inception of this talk, it seems clear that change is the one certainty ahead of us. The copper shortage has persisted because of a series of interruptions to supply which could not have been forecast. Production capacity is being greatly increased and in the long run supply will catch up with demand as it is presently constituted. Thereafter, copper's ability to find new markets for increased output will depend on its competitive position with other materials — and that may be a question of price to a major extent.

Lead and zinc have been leaning on the crutch of government stockpiling for a few months. This can hardly go on indefinitely, but there seem to exist grounds for hope that, now that stocks have been reduced, supply and demand will be in fairly good balance. An increase in prices that will greatly stimulate supply may also curtail demand—in that event imbalance may again occur.

The prices of both gold and uranium have been set by government. At the moment gold miners are unhappy and uranium miners are quite happy with the prices that have been set. But note that in setting these prices governments were really not concerned about the state of contentment among the miners. The decisions were made on the basis of other considerations—international finance in the case of gold and the international armaments race in the case of uranium. If the base metal industries ask for government intervention on too grand a scale, they may find that once the intervention occurs their own wishes may not carry much weight.

In the long run the base metal industries will prosper most if they stand on their own feet; to pursue the will o' the wisp of international stabilization schemes can lead only into marshy ground. Such schemes would invite government control of production as well as price and in the long run might spell the doom of true private enterprise in mining.

*An address by Mr. Strauss before the Prospectors and Developers Association, Toronto, Can., March 7, 1955.

Davidson-Vink-Sadler Formed in Wichita

WICHITA, Kans. — Davidson-Vink-Sadler, Inc., has been formed with offices in the Beacon Building to deal in investment securities. The firm also has a branch office in St. Petersburg, Florida.

Hardy Co. to Admit R. A. McMann to Firm

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange on April 1 will admit Raymond A. McMann, member of the Exchange to partnership. Mr. McMann was formerly a partner in Dammes, Koerner & McMann.

Southern California Customers Brokers Elect

LOS ANGELES, Calif. — The Southern California Customers Brokers Association has elected the following officers for 1955: Henry J. Tenaglia, Shearson, Hammill & Co., President; Gustavus Dann, Sutro & Co., Vice-President; George Harder, Secretary; Edward Ziegler, Dean Witter & Co., Treasurer.

Pros and Cons of Another General Election in Britain

By PAUL EINZIG

Dr Einzig, in discussing the controversy in England regarding a general election, finds that the Prime Minister, Sir Winston Churchill, is faced with a dilemma. Points out split in the Labor Party would offer opportunity to the Conservatives to increase their majority, and in addition there seems to be a strong economic argument for an early election, because in next six months it is probable there will be a deterioration in British economic conditions.

LONDON, ENG.—A fierce battle is raging between those in favor of an early general election and those who would prefer to wait till the autumn. It is fought mostly behind the closed doors of the Cabinet room at 10 Downing Street. The decision rests with one man only—Sir Winston Churchill. His Ministers and other political supporters, and the Conservative newspapers, are sharply divided on the expediency of a rushed election. On the one hand, there is the political argument of the troubles in the Labor Party, and the economic argument of the possibility of a deterioration of business conditions by the autumn. On the other hand, it is arguable that the split between the two opposing Socialist factions is liable to widen in the course of time, and that the high Bank rate may have produced its beneficial effects by the autumn.

Dr. Paul Einzig

The opponents of an early election have won the first round. There is to be no "snap" election before the Budget, nor has the Budget date been put forward for the sake of earlier election. April 19 has been fixed as Budget Day. This means that it would be just possible to rush through the Finance Bill in time for having the general election during the last week of May, though it would not be easy. Unless this could be done, the Prime Minister would probably prefer an autumn election to a June election, owing to the disturbing effect of the holiday season and of the beginning of the busy season in agricultural areas.

Yet, even if we were to disregard the political argument, which in fact cuts both ways, there seems to be a very strong economic argument in favor of an early election. For it seems probable that the next six months will witness a deterioration rather than an improvement of economic conditions in Britain. In particular it seems probable that there will be a substantial loss of gold during the summer and early autumn.

It seems that the economic argument favors an early election, irrespective of whether or not the high Bank rate will produce its desired effect. For the only possible way in which the Bank rate can reduce excessive consumption and imports would be through creating a certain amount of unemployment. And even a slight increase of unemployment would mean the loss of millions of votes by the Government. In the absence of an increase of unemployment the wages spiral would continue to increase the inflated purchasing power of consumers in Britain, in spite of the high Bank rate. Towards the end of February and in the first half of March, wages claims amounting to well over £120 million per annum have been conceded. In face of this fact even some of the most fanatic believers in the all-curing effects of high Bank rate had to admit that amidst overfull-employment the remedy is apt to be ineffective.

Possibly a further increase of the Bank rate, coupled with a much more effective tightening of credit, might result in a certain amount of unemployment, and this would check the rising trend of wages. But it would be inexpedient for the Government to wait with the election until after such result has become evident. In the absence of a marked curtailment of consumption, the balance of payments is liable to remain adverse. For the present this factor is more than offset by the influx of short-term funds attracted by high interest rates, and by some reduction of inventory stocks enforced by high interest rates. But these factors are apt to be temporary, and in the long run the increase of "hot money" and the running down of stocks of imported commodities is liable to react against sterling.

More important than any of these considerations is the prolongation of the uncertainty through a deferment of the election until the autumn. Most political prophets agree that, should there be an election tomorrow, the Conservative Party would increase its majority. No political prophet would dare to forecast the result of an election in seven months' time. There is bound to be uncertainty and suspense throughout the summer and early autumn, and most foreign holders of sterling would prefer to be on the safe side.

Should the British authorities support transferable sterling in face of such a selling pressure, they would inevitably lose hundreds of millions of dollars. A decline of the gold reserve would deprive the Conservative Government of a large part of the credit they claim for the achievements of their administration. Should the Exchange Equalization Fund abstain from bolstering up transferable sterling, its rate would depreciate considerably. This, in addition to being bad for the Government's prestige, would lead to a large-scale revival of "commodity-shunting" operations, which again would entail considerable loss of gold.

Moreover, in anticipation of a depreciation or devaluation of sterling under a Labor Government, overseas buyers of British goods would defer their orders, or they would at any rate defer payment for the goods, in the hope of being able to pay with cheaper sterling. This again would lead to heavy losses of gold. It is no wonder that pressure is brought to bear on the Prime Minister to spare the country of such unfavorable developments by deciding in favor of an early election.

Opponents of an early election, on their part, argue that a flight from the pound might produce a favorable effect on the Government's election prospects. They believe that it would frighten the electorate into voting Tory, in the same way as happened in 1931, for fear that the return of a Socialist Government would mean a depreciation of the currency. It would be risky, however, to depend on such a psychological effect.

Sir Winston Churchill is not likely to indicate his intentions in the immediate future. But the Government will have to show its hand on Budget Day. In order to be able to go to the country at the end of May it would be necessary to repeat the procedure of 1929 when a brief and non-controversial Finance Bill was rushed through in record time. This would have to be made clear by Mr. Butler in the course of his Budget speech on April 19. Should he foreshadow a more or less normal Finance Bill, it would be the end of hopes or fears of a May election. In that case the odds would definitely favor a deferment till October, irrespective of the political and economic disadvantages that course would entail.

Corning Glass Works Common Stock Offered

A nation-wide underwriting group of 173 investment banking firms and dealers headed jointly by Lazard Freres & Co. and Harriman Ripley & Co., Inc., on March 29 made a secondary offering of 464,700 shares of common stock of Corning Glass Works. The stock was priced at $58.75 per share.

The shares do not constitute new financing by Corning Glass and the company will receive none of the proceeds from the sale. Included among the shares being sold are a portion of the holdings of Amory Houghton, Chairman of the Board of Directors of Corning Glass, and Arthur A. Houghton, Jr., a director of the company, several close relatives, and of estates and trusts of which the two men are trustees, aggregating approximately 12% of the shares owned by this group.

Mr. Amory Houghton stated that the "sale of the shares was deemed advisable in the light of the present tax structure to secure additional flexibility in the various trusts where Corning Glass stock continues to constitute the most important holding."

The company has a total of 6,647,520 common shares outstanding, in addition to 76,760 shares of $100 par value preferred stock bearing an annual dividend of $3.50 a share and $10,000,000 of 3¾% income debentures due 2002.

Regular quarterly dividends of 25 cents a share, or $1 annually, currently are paid on the common stock. In 1954 dividends equivalent to $1.20 a share were paid on the presently outstanding common stock, including a year-end extra dividend of 80 cents a share.

Net sales of the company during the year ended Jan. 2, 1955 amounted to $147,938,842 and net income to $17,490,191, equal to $2.59 a share (after preferred dividends) on the presently outstanding common stock.

The company's origin traces back to 1851 when a glass business was established by Amory Houghton, great grandfather of the present chairman of the board, and others. Corning Glass is engaged primarily in the manufacture of glass products having special qualities of chemical stability, electrical resistance, light transmission and mechanical strength, and technical glass products designed to comply with specific requirements of fabricators in other industries. Its products are broadly classified as electrical and electronic products, consumer products, and technical and other products; they do not include ordinary containers or flat glass. Consumer products include glassware sold under the well-known Pyrex trade-mark.

Suggested Revisions of the Selective Service Law

By PATRICK MURPHY MALIN*

Executive Director, American Civil Liberties Union

Spokesman for Civil Liberties Union advocates revision of the Selected Service Law to give more generous protection to rights of conscience; to make it clear law is an emergency measure, and to remove remaining discrimination in the armed forces.

The American Civil Liberties Union has consistently taken the position that government conscription of individual lives is a complete denial of what ought to be a basic civil liberty. Conscription for war or preparation for war raises special problems because it constrains some men to do that to which they are opposed by religious or philosophic conviction. However, the grim facts of our troubled times have compelled the Civil Liberties Union to recognize the imperative claims imposed upon us all by the necessity to maintain our national security. In time of war or under imminent threat of war, it has seemed generally evident to our citizens that the fairest and most efficient way to provide military forces is by means of conscription and the assignment of men through Selective Service.

Patrick M. Malin

Hence, the American Civil Liberties Union did not oppose the draft law which was adopted in 1940. In 1945, it felt that the case for compulsory military training as essential to national security was by no means strong enough to override the grave objections to conscription in the name of liberty. This fact is set for in its resolution of that year, which it reaffirmed in 1947.

Although we now face a very different set of facts and problems than in 1945 or 1947, although peril to national security is great and imminent, and although clearly it lies beyond the competence of the ACLU in the name of freedom now to oppose measures for selective service which in earlier emergencies it has accepted, it does have a right to ask three things:

(1) In the current emergency which may require conscription, the present Selective Service Law should be revised to give more generous protection to the rights of conscience. The sincerity of conscientious objection should not be judged by the test of a religious formula so narrow as to exclude ethical or humanistic beliefs. A way should be found as in Great Britain during the Second World War to permit sincere objectors to render useful service to society rather than to confine them in jails.

(2) Everything possible should be done to make it clear that conscription is an emergency measure. We believe that an extended Selective Service law should not be accompanied by a universal military training law. The latter, in the light of history, would seem far more likely to create a spirit of militarism hostile to democratic liberties, to prepare the way psychologically for totalitarian practices, and to become accepted as a regular feature of education, even in times of peace. Selective Service is obviously intended for a particular emergency, even if it should be made very comprehensive. Man's ability to abandon conscription will be a measure of his capacity to maintain both peace and freedom.

(3) Everything possible should be done by Congress to eliminate the remaining racial discrimination in the armed forces.

*A statement filed by Mr. Malin with the House Armed Services Committee, Washington, D. C., March 23, 1955.

Gardner Named Director

The election of George P. Gardner, Jr., as a member of the Board of Directors of Barry Controls Incorporated, Watertown, Massachusetts, has been announced.

G. P. Gardner, Jr.

Mr. Gardner is a partner in the brokerage firm of Paine, Webber, Jackson and Curtis, and is connected with three Boston firms: as a director of the United Fruit Company, a trustee of the Amoskeag Company, and a trustee of the Provident Institute for Savings. He is also President of the Boston Museum of Science.

Barry Controls Incorporated is a manufacturer of shock and vibration isolation equipment. It had its initial public stock issue at the beginning of March.

Merrill Lynch Places Five Secondaries

Merrill Lynch, Pierce, Fenner & Beane and associates on March 23 made five secondary common stock offerings, which were quickly oversubscribed. These were:

Approximately 27,000 shares of Amerada Petroleum Corp. at $207.50 per share, less a $4 concession for dealers;

20,000 shares of Barber Oil Corp. at $60.25 per share, less a $1 concession;

31,000 shares of Dow Chemical Co. at $46.50 per share, less 70 cents per share;

29,000 shares of Olin-Mathieson Chemical Corp. at $52.75, less 85 cents; and

7,000 shares of Louisiana Land & Exploration Co. at $77.25, less $1.10 per share.

The first four offerings were cleared by the New York Stock Exchange and the fifth by the American Stock Exchange.

Beauchamp, West Partner

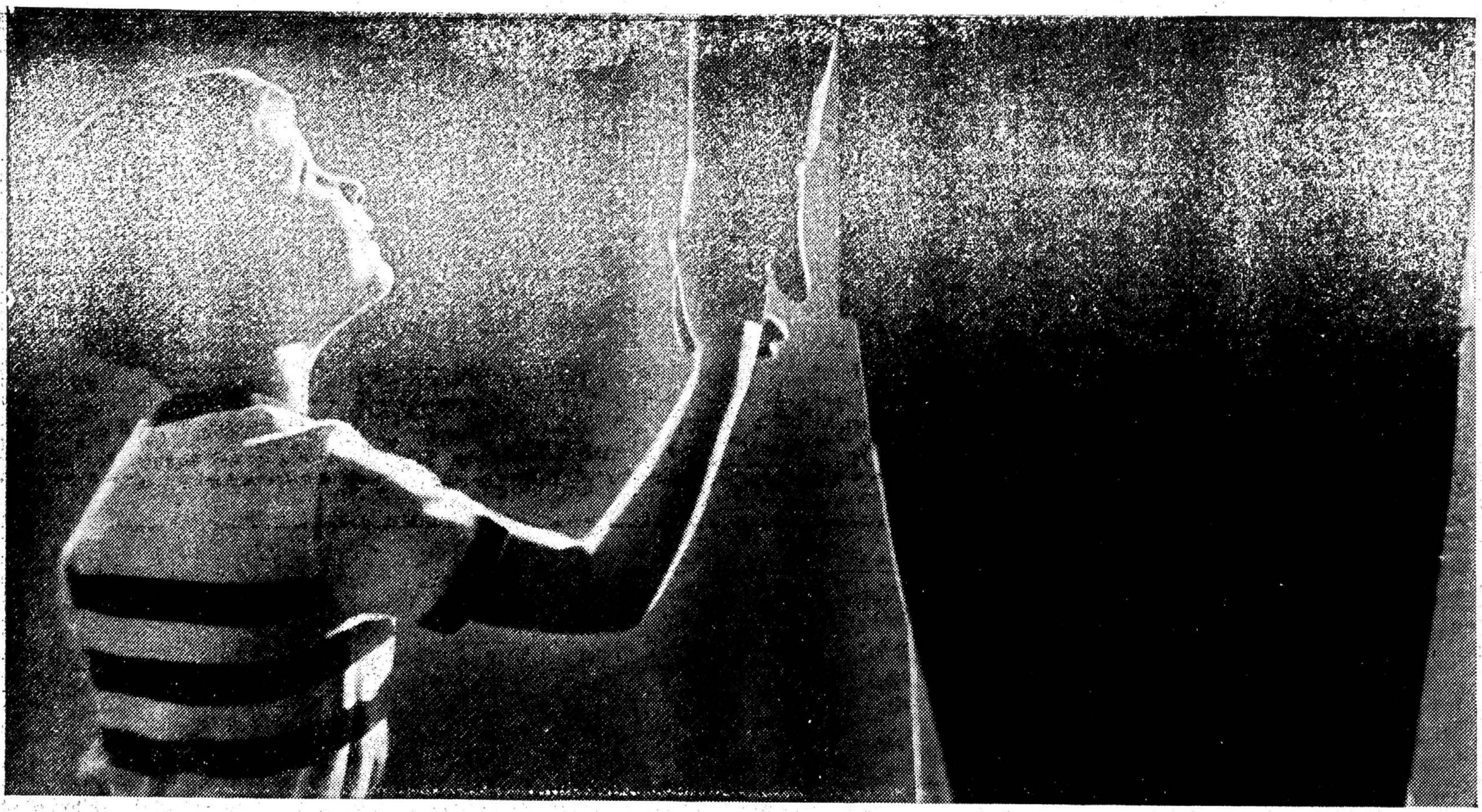
Edward F. Beauchamp on April 7 will acquire a membership in the New York Stock Exchange and on the same date will be admitted to partnership in Beauchamp & West, 115 Broadway, New York City.

Kerbs, Haney Partner

Kerbs, Haney & Co., 38 Broadway, New York City, members of the New York Stock Exchange on April 7 will admit Arthur G. Logan to limited partnership.

E. H. Stern Admits

Donald Stone, member of the New York Stock Exchange on April 1 will become a partner in E. H. Stern & Co., 11 Wall Street, New York City, members of the New York Stock Exchange.



A new era of confidence—with Living Insurance

How Equitable helps more families than ever achieve a growing self-reliance.

There is one thing Americans value most: *personal independence.*

They want to stand on their own two feet. And they want their wives and children to be able to do the same — *always.* The years ahead can look bright and secure to the man who plans for them in his insurance program.

During 1954, The Equitable spread an umbrella of protection over more families than ever before in its history. And, Equitable paid out more benefits than ever in family and retirement income, funds for children's education, medical, business and financial emergencies. This is *Living Insurance* at work!

Today The Equitable family numbers 8,200,000 men, women and children. The measure of their confidence in the future is shown in the annual statement below. Behind these figures are people — like you and your neighbor — sharing the risks of life together.

Look at these figures a moment. They show double-duty dollars. These dollars protect millions of families — and at the same time help create jobs, produce goods and maintain our high standard of living. Invested at the rate of $22,000,000 a week — in farms, homes, business and industry — these dollars work for the benefit of the policyholder and the entire U. S. economy.

The Man from Equitable can bring a new era of confidence into your home. He can help you help yourself to a bigger portion of self-reliance — the *Living Insurance* way.

See the Man from Equitable — today!

Ray D. Murphy

RAY D. MURPHY, PRESIDENT

A copy of the President's Report may be obtained from any Equitable Agent, or by writing to the Home Office.

Condensed Statement of Condition as of December 31, 1954

RESOURCES

*Bonds and Stocks		Per Cent
U. S. Government obligations	$ 520,604,119	(6.9)
Canadian Government obligations	70,780,092	(0.9)
Public utility bonds	926,974,722	(12.3)
Railroad obligations	713,293,183	(9.4)
Industrial obligations	2,223,918,818	(29.4)
Other bonds	429,734,861	(5.7)
Preferred and guaranteed stocks	165,809,642	(2.2)
Common stocks	21,462,269	(0.3)
Mortgages and Real Estate		
Residential and business mortgages	1,525,388,857	(20.2)
Farm mortgages	292,962,592	(3.9)
Home and branch office buildings	11,628,620	(0.2)
Housing developments and other real estate purchased for investment	175,793,694	(2.3)
Residential and business properties	222,298	(—)
Other Assets		
Cash	78,894,425	(1.0)
Transportation equipment	106,479,864	(1.4)
Loans to policyholders	174,842,375	(2.3)
Premiums in process of collection	60,647,150	(0.8)
Interest and rentals due and accrued and other assets	61,270,193	(0.8)
Total	$7,560,707,777	(100.0)

OBLIGATIONS

Policyholders' Funds		Per Cent
To cover future payments under insurance and annuity contracts in force	$6,156,829,491	(81.4)
Held on deposit for policyholders and beneficiaries	369,451,593	(4.9)
Dividends and annuities left on deposit with the Society at interest	202,694,837	(2.7)
Policy claims in process of payment	37,620,944	(0.5)
Premiums paid in advance by policyholders	89,854,178	(1.2)
Dividends due and unpaid to policyholders	8,616,094	(0.1)
Allotted as dividends for distribution during 1955	110,250,726	(1.4)
Other Liabilities		
Taxes—federal, state and other	29,001,000	(0.4)
Expenses accrued, unearned interest and other obligations	13,773,767	(0.2)
Mandatory security valuation reserve	74,358,129	(1.0)
Surplus Funds		
To cover all contingencies	468,257,018	(6.2)
Total	$7,560,707,777	(100.0)

**Including $6,682,126 on deposit with public authorities.*
In accordance with requirements of law all bonds subject to amortization are stated at their amortized value and all other bonds and stocks are valued at the market quotations on December 31, 1954, as prescribed by the National Association of Insurance Commissioners. In addition, as required, a security valuation reserve is included among the liabilities.

THE **EQUITABLE** LIFE ASSURANCE SOCIETY OF THE UNITED STATES **Home Office: 393 Seventh Avenue, New York 1, N. Y.**

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JOSEPH V. DAVIS
225 West 34th Street

MILTON WEINER
50 East 42nd Street

WILLIAM J. DUNSMORE, C. L. U.
120 Broadway

LEO EISEN
450 Seventh Avenue

ALFRED A. HARRIS, C. L. U.
75 Franklin Avenue, Yonkers 5

J. BROOKE JOHNSTON, C. L. U.
8 West 40th Street

SID SMITH
120 Broadway

MAX REIBEISEN
Times Bldg., 42nd St. and Broadway

E. W. REJAUNIER
450 Seventh Avenue

MAXWELL M. SHAFFRAN
225 West 34th Street

EDWARD R. SIEGEL
21 East 40th Street

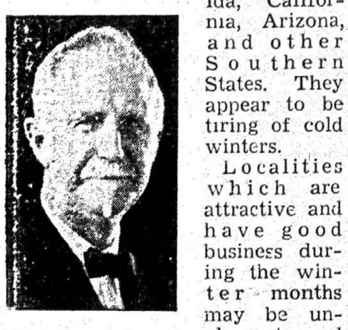
HORACE H. WILSON
295 Madison Avenue

Advice to Retired People

By ROGER W. BABSON

Mr. Babson discusses localities which are attractive to retired people. Gives advice regarding retired persons seeking occupation, and urges those who are looking for acreage to buy land adjoining that owned by U. S. Agricultural Department and used as an experiment station.

This time of year I get many letters as to the best place to live from people about to be pensioned. They seem to favor Florida, California, Arizona, and other Southern States. They appear to be tiring of cold winters.


Roger W. Babson

Localities which are attractive and have good business during the winter months may be unpleasant and unprofitable during the summer. The reverse is also true. Certainly no state or county or community has all the advantages or disadvantages. The birds learned this after millions of years' experience! I selected summer headquarters in New England and winter headquarters in Florida—even before man had joined the birds in air transportation.

A warm climate would doubtless be desirable for an older couple; but it may not be wise for a young couple with children. There is something debilitating and enervating in climates that are too warm especially when the heat is of long duration. Statistics published by Yale University show that the most energetic and intelligent people develop under marked contrasts of climate. The "terrible weather changes" of New England may have created the energy which financed so many farms and cities and built railroads across the United States.

Importance of Income

The much-advertised growth of such states as Florida, California, and Arizona does not stem from new babies, or agricultural producers. "Newcomers" are moving in to retire and take it easy. They must be sure a check will come from the North each month to use as a nest egg or backlog. I refer to pension money, insurance, rents on northern property —or dividends on stocks or interest on bonds or mortgages. Social Security checks are a help, but they will not pay all the bills in any state to which people are now flocking.

Don't expect a big dip in living costs in these delightful winter climates. You may not need so much fuel or electricity or clothing, but food and rents cost as much, considering what you get. There is no reduction in doctors' or dentists' or hospital bills; while beauty-parlor bills are reported to be higher! Florida does give homestead tax exemption on property up to $5,000. Different states and cities have different ways of collecting taxes, but in the end they add up to about the same.

A Job or a Business?

Many retired men get restless after a while. If you want a job, get work in something in which you are trained. If considering a business of your own, work on salary before buying. Caretakers' Service, Collection Agencies, Tree Nurseries, Diaper Services, Frozen-Food Deliveries, Clothes Repairing and Pressing, Manufacturers' Representatives, Spraying, Shopping, Typing, and Real Estate look best to me.

What about buying a home? This is not a bad idea but there are certain qualifications you should consider: Near stores and churches; with land for a vegetable garden and possible future sale of an extra lot; and in a section which is improving and not declining. Better live in a community a year before buying real estate, to get the feeling! Real-estate values are determined by feelings and not figures.

Final Advice

You can select a state to which to move by studying maps, real-estate booklets, and other propaganda. Then write to the State Chamber of Commerce located at the capital of the state that you are thinking of moving to. Tell them you would appreciate information regarding different localities, climate, and opportunities. But do not select any locality of that state without first visiting it, even if you need a leave-of-absence from your job in order to do this. In closing, just a word of financial advice: **If you are looking for acreage, buy land adjoining some owned by the United States Agricultural Department and used as an experiment station. This should be good land and easy to dispose of if you ever wish to sell at a profit. This applies to all states.**

Business Boomlet Gathering Momentum

Business Survey Committee of National Association of Purchasing Agents report both increase in new orders and in production, with programs of new capital outlays exceeding '54

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Chester F. Ogden, Manager of Purchases, The Detroit Edison Company, reports that during March the boomlet predicted last December by Purchasing Executives for the first half of 1955, seems to be well under way. There are indications that the current optimistic production and new order reports reflect more than a normal seasonal pickup.


Chester F. Ogden

Increased new orders are recorded by 53% of the committee members and 50% report increased production. Only 6% show a weaker new order position and 5% report lower production. This is the most favorable position reported since 1950.

As further evidence of the continuing vigor in the business picture, 9% report that their companies have augmented their original 1955 capital expenditure programs and no one reported a cutback in plans. Also, there is a 2 to 1 ratio of companies reporting their 1955 programs will exceed 1954, as compared to those who expect it will be less.

Commodity prices are still moving upward, with evidence of their leveling. There is indication of some tendency to bolster inventory position and buying policy has lengthened a little. Employment continues high.

Commodity Prices

Purchasing Executives report that commodity prices are continuing their upward climb—but at a slower pace than at any time since the higher movement started last November. In their March reports, 36% state prices are higher and 59% say they are generally the same. This compares to reports of 51% up in February and 48% the same.

However, on most items, except for special situations such as copper and some steel items, competition continues keen. Furthermore, on some items, including cotton, sugar, and pork, the market is soft.

Inventories

There is a definite indication of Purchasing Executives' willingness to add to inventories. This has been absent for quite some time.

Not since 1950, have so many reported higher inventories and so few lower quantities on hand. This willingness to add to stock stems from (and in about the order listed). (1) bright business prospects and a desire to have more material on hand to cover for improved production quotas; (2) a greater indication of some protective stocks to guard against impending labor difficulties, and (3) some inclination to have critical materials on hand that might become more scarce if the world situation were to become worse.

Employment

Regardless of some reports to the contrary from other sources, Purchasing Executives are encouraged, and encouraging, in their reports on the employment picture in their industries. The jump to 32%, who report employment as better, over February's 23%, is the sharpest since the Korean War preparedness increase of mid-1950. Again, though, as reported last month, the increases in employment are gradual rather than of boom or even boomlet proportions. There are scattered reports of labor surpluses in some areas and some shortages of clerical help.

Buying Policy

This month's buying policy report continues the movement toward the somewhat less conservative attitude that was reported last month. However, there still is no rush to buy into the future, as evidenced by the fact that the largest number, 80%, are in the 30- to 90-days range with 42% of these in the 60-day range.

Jay W. Kaufmann Partner

Benjamin J. Kallen will become a partner in Jay W. Kaufmann & Co., 111 Broadway, New York City, members of the American Stock Exchange. Mr. Kallen will make his headquarters in Miami Beach.

Samuel Abrahams to Admit

John R. Atwell will be admitted to partnership in Samuel Abrahams & Co., 25 Broad Street, New York City, members of the American Stock Exchange. Mr. Atwell was formerly a partner in Jay W. Kaufmann & Co.

York & Co. Formed

SAN FRANCISCO, Cal.—Palmer York, Jr., has formed York & Co. with offices at 235 Montgomery Street, to engage in a securities business.

Continued from page 7

The Stock Market Situation

—or perhaps a little better—of seeing the market attain substantially higher than present heights, subject to the probabality of intervening reactions. But his chance of eventually holding on to the profits he makes beyond the current level, we should term no better than in former bull markets — and that is none too good."

(B)
Reasons for Market Rise Since September 1953

In general, I agree with the answers by President Funston of The New York Stock Exchange to Question I of the Committee's Questionnaire. However, I should like to emphasize more than he did the role of investment and speculative sentiment in determing the wide variations in stock market prices.

In my view, the fundamental reason for the rise was the swing from doubt to confidence—from emphasis on the risks in common stocks to the emphasis on the opportunities in common stocks.

There has been no change of importance in the earnings of the Dow-Jones Industrial Average since 1949. (Actually, however, earnings of most *secondary* companies fell a great deal in 1953-1954 from the levels of the previous five years.) But prior to 1954, the public was expecting a substantial setback and was braced for a large falling off in earnings when business turned down after the middle of 1953. It was the mildness of the shrinkage—especially in Gross National Product and Disposable Incomes—that reversed the tide of sentiment and gave currency to the view that we no longer have to fear deep depressions.

This change in sentiment produced a change in the public's valuation of stocks, especially in what it considered suitable multipliers of current earnings. In effect, the multiplier advanced from about 8 for the Dow-Jones Industrials in 1948-1950 to 10 in 1953, and to a current 14, which is slightly less than the 1936-1940 average.

My studies have led to the conclusion that sentiment alone, not supported by any visible change in value, will produce a swing on the order of 100 to 250 or 100 to 300 in price. It is interesting to note that while American Telephone and Telegraph has paid a uniform dividend of $9 since 1922, and while its earnings have fluctuated comparatively little, its price advanced from 115 in 1922 to 310 in 1929, declined to 70 in 1932, and since then it has fluctuated between lows of about 110 and highs of about 200.

Among the secondary companies, the present situation is more complicated. Prices were very low as against earnings prior to 1953, but many of these companies had poor earnings results in 1953-1954. The price behavior of this large group lagged behind the blue-chip advance until July, 1954. Recently the rise in secondary issues has more than kept pace with that of the leaders. Bargains are fast disappearing and there are numerous instances of over-speculation in this field. On the whole, however, the typical second-grade stock appears less over-valued today than it was in early 1946.

(C)
Feasible Ways of Controlling Undue Speculation in the Future

I believe the Committee should consider carefully and cautiously whether any plan of control is feasible. Speculation has not gone too far as yet, but there may be a grave danger that it will do so. Assuming that measures could be found that are useful and feasible, it would be wise to agree to such measures in advance of the necessity for their use—rather than to begin discussing them while the fire is raging.

It should be recognized that any form of intervention by Washington in the stock market is risky and controversial. You cannot be sure that what you are doing is the right thing and won't cause more harm than good. (In this respect your problem corresponds to the public's own quandary in deciding whether to buy or sell or sit tight in the present market.) Yet, despite the hazards of any intervention, a certain responsibility is there. It is actually being assumed—e.g., by the Federal Reserve in varying margin requirements to correspond somewhat with the state of speculation.

On balance, I am inclined to favor strict controls for margin trading and a fairly rapid advance to the 100% margin limit—i.e., no borrowing at all—as the Federal Reserve becomes increasingly concerned about the extent of speculation. My reason is that it is basically unsound for nonprofessionals to borrow money to speculate in stocks — or in anything else. It is unsound for them and for the economy as a whole. Responsibility should also be placed upon our commercial banks to avoid, in general, the direct lending of money to the public for the purpose of speculating in stocks.

The Capital Gains Tax

Much has been made of the Capital Gains Tax as a deterrent to the selling of stocks. It is urged that this tax be abolished or cut in two, in order to increase the supply of stocks by "unfreezing" holdings showing large profits. There is some merit in this contention, and I shall have

Certain Price-Earnings Ratios for the Dow-Jones Industrial Average and for General Electric Common Stock

(A)
Dow-Jones Industrial Average

Date	Price	Ratio to Earnings for the Preceding: 1 year	5 years	10 years	Yield on AAA Bonds (Moody's)	Subsequent Low Price of Average
1955 (March)	414	15x	15x	18x	2.95%	
1946 High	212	20	21	22	2.46	163 (1946)
1937 High	194	19½	43	21½	3.42	99 (1938)
1929 High	381	25	28½	34	4.69	41 (1932)
1927 High	202	14½	16	16	4.58	

(B)
General Electric Common Stock

	Price	Ratio to Average Earnings for the Preceding: 1 year	5 years	10 years	Subsequent Low Price
1955 (Feb.)	167*	23	28	38	
1946 High	52	26½	30	31	33 (1946)
1937 High	65	42	84	51	27¼ (1938)
1929 High	101**	45	60	85	8 (1932)
1927 (High)	36**	23	29	34	

*Multiplied by 3 to reflect 1954 split. **Divided by 4 to reflect 1930 split.

a suggestion to make along these very lines. But I regret that the issue has usually been presented by Wall Street—of which I am proud to consider myself a part — in an incomplete and rather one-sided fashion.

Taxes on capital gains have been imposed since the modern income tax began in 1913. Thus the problem of their impact on speculative markets is by no means a new one. The evidence hardly suggests that the Capital Gains Tax has by itself produced unduly high prices or unduly wide fluctuations. Impressive arguments may be made against Capital Gains Taxes as inequitable in theory and unsound in practice; but there are also impressive arguments against permitting capital gains to go untaxed while imposing high rates on other forms of profit. Although I believe the present Capital Gains Tax system is open to improvement, I would not consider it basically inequitable in relation to our tax burden as a whole. Finally, while a lightening of the tax might well increase the supply of common stocks by persuading holders to take large profits, it might at the same time stimulate further speculative buying, attracted by the new tax advantage. The net result of such a move cannot be foretold.

The objections of reducing the Capital Gains Taxes would be overcome, in my opinion, if such a policy were adopted for a limited period of time only and for the specific purpose of dealing with a dangerous stock market situation. For example, the tax might well be reduced from the present 25% maximum to a 12½% maximum on securities owned at least two years, such reduction to be effective for a specified period only—say six months. I believe such an arrangement would have the desired effect of increasing the supply of common stocks at a time when such increase is deemed necessary. From the standpoint of the Treasury, the result might well be that a larger revenue would be realized, in spite of the reduced tax rate, because of the inducement to sell locked-up shares. Whatever its effect on the level of stock prices, bona fide investors could not be harmed by such a concession, even if it ran for a limited period.

My proposal would require legislation by Congress, as would any other change in the Capital Gains Tax. Perhaps the best method would be to give the President the power to make changes in the effective rate, within specified limits, upon advice from the Board of Governors of the Federal Reserve System. We have precedents for such powers in our tariff laws.

In conclusion, may I say that while Congress should not ordinarily meddle with the stock market, there are times when it deserves attention from Congress. We are probably in such a time at present.

Kentucky Utilities Offering Underwritten

The Kentucky Utilities Co. is offering to its common stockholders of record March 21, 1955 rights to subscribe for 190,566 additional shares of common stock at $24.75 a share on the basis of one new share for each 12 shares then held. The offer, which expires 3 p.m. (CST) on April 11, 1955, is being underwritten by a syndicate managed jointly by Blyth & Co., Inc. and J. J. B. Hilliard & Son.

The proceeds from the sale of this stock and from a proposed sale at competitive bidding (on April 5) of $5,000,000 in first mortgage bonds, series F, due April 1, 1985, will be used by the company to finance a part of the cost of its construction program which, it is estimated, will cost about $18,741,000 in 1955 and $18,580,000 in 1956.

The company is a public utility engaged in generating, purchasing, transmitting, distributing and selling electric energy. At the beginning of this year, the company furnished electric service to about 211,000 customers in 499 communities, and adjacent rural areas, located in 77 counties in central, southeastern and western Kentucky and two adjoining counties in Tennessee, and also sold electric energy at wholesale, under term contracts, to ten municipalities and 18 rural electric cooperatives.

Operating revenues for the year ended Dec. 31, 1954 amounted to $36,247,777, and net income to $5,823,560, equal to $2.13 a share. This compares with revenues of $31,749,548, and net income of $4,971,331, or $1.76 a share, reported the year before.

R. George Hoerlein Opens

SYRACUSE, N. Y. — George Hoerlein is conducting a securities business from offices at 600 James Street.

Coombs Aids To Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roland L. Barclay, Charles H. Huffman, Julia Morally, Jack Ralph, and John T. Troll III have become affiliated with Coombs & Co., of Los Angeles, Inc., 602 West Sixth Street.

California Investors Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo R. Albright, Henry C. Alvis, Sr., Allen V. Bennion and Billie R. Gentry have been added to the staff of California Investors, 3924 Wilshire Boulevard.

John M. Holley Joins E. F. Hutton & Co.

ROSWELL, N. Mex. — John M. Holley has become associated with E. F. Hutton & Company in charge of their newly opened office at 419 North Richardson Avenue. Mr. Holley was a partner in the First New Mexico Co.

Westheimer Branch

WHEELING, W. Va. — Westheimer and Company have opened a branch office in the McLure Hotel under the direction of Lewis J. Groch.

W. H. Place Branch

RAMSEY, N. J. — William H. Place Company has opened a branch office at 118 Darlington Avenue.

Continued from page 6

"Railroad Kernels"

passenger service operations, which for some railroads is very serious. According to the ICC formula, the passenger deficit in 1953 was $704.5 million. We will not have the 1954 figures for some time, but I was glad to note from the annual report of the Pennsylvania Railroad that its passenger deficit in 1954 was some $12 million less than in 1953. If we ignore the ICC formula and use the rule of thumb method, the actual out-of-pocket loss in passenger services is about 50% of the ICC formula, which is still a big figure and represents a big problem.

While every phase of this problem deserves study, thought and hard work. I am still of the opinion that the greatest progress in reducing or eliminating the passenger deficit will result from the reduction of competition between railroads, which would involve permission for the railroads to get together and work out reasonable service schedules designed to serve communities adequately but without the element of competition as between railroads. If this requires legislation, it should be enacted. There are some who think that sufficient power already resides in the Interstate Commerce Commission to permit the railroads to agree among themselves to formulate a plan that could be made effective with Commission approval.

(3) The need for a modernized regulatory process involving the enactment of legislation that in its broad sense would give the railroads in this fiercely competitive era an opportunity to compete with other forms of transporta ion on a basis of more equal opportunity. The railroads have been screaming about this need for a modernization of the regulatory process for the last seven or eight years, but nothing has been accomplished. It is heartening to hear the Chairman of the Interstate Commerce Commission frequently and vigorously urging specific remedies in this regard. It was heartening, too, when the President appointed a Cabinet Committee on Transportation, which rendered a report to the White House on Dec. 1, 1954. We in the railroad business are pretty sure about the equity of our case and we have never doubted that an objective report would be beneficial to the railroads if enacted into law. But we have less reason to be heartened now because it is already evident that great conflicts are occurring within the Cabinet itself and the reason is easy to understand. Those who are benefited by keeping the railroads in a straitjacket of monopolistic regulation and who fear the loss of their artificial advantages are exerting great political pressure to retain their artificial advantages.

It is quite clear to me that it will take greater political courage than we are accustomed to for any Administration and any Congress to face the facts and do merely what is just and reasonable. I suppose it is too much to expect and omnibus revision of the Interstate Commerce Act such as we had in 1920 and again in 1940. These omnibus revisions occurred when the country was scared about the railroad situation, and with good cause. Perhaps it will take another bad scare to bring about an omnibus revision and we don't want any such scares.

Rails Provide Lowest Cost Transportation

But omnibus revision, in my opinion, is not necessary. There are a few things that could be done that would help a lot and if the country believes what it says, that the railroads are the backbone of transportation and provide the lowest cost transportation, then these things should be done for the benefit of the country as a whole and without regard to special interests. Every man is entitled to his opinion, but so far as I am concerned, I would like to see a start made by:

(1) Giving the railroads a little more freedom in making rates and reducing the time lag in revising rates. But I think in this regard that in order to prevent cut-throat competition the minimum rate provisions of the Interstate Commerce Act must remain.

(2) Giving the railroads the right of appeal to the Interstate Commerce Commission from adverse decisions of State Commissions with respect to passenger train abandonments and from inaction on the part of State Commissions with respect to such abandonments.

(3) Narrowing the limits under which the transportation of agricultural commodities would be exempt from motor carrier regulation.

(4) Repealing the long-and-short-haul clause.

(5) Giving the railroads the right to engage in highway and air transportation under proper regulatory procedure.

If we could accomplish just these few things and then have Federal and State Governments require the payment of a user charge for the commercial use of facilities provided with public monies, the railroads would emerge from the unequal situation in which they now find themselves and their forward progress would accelerate, but not at the expense of other legitimate enterprise, because no competitors are entitled to artificial advantages—only those that come naturally and are not man-made.

Railroad Consolidations

Perhaps you would expect me to say something about railroad consolidations. Well, I am in favor of railroad consolidations and always have been because I think it is in the public interest that there be fewer railroads and more large systems. I think this would be not only in the interest of the public but also of railroad security holders. Bigness in itself is not necessarily a desirable end, nor is bigness an evil to be shunned. This is a big country; we do things in a big way, and we need big railroads like we need big manufacturing concerns, big banks, etc. Small railroads are at a disadvantage. Individually they are not able to engage in research on the large scale that is necessary. They are handicapped in attracting large industries on their lines. They are required to do most of the things that large railroads are required to do without the larger revenues to absorb the cost. And even though some weaker railroads would have to be included with the stronger in effecting consolidations, there is a bigger spreading of the risk. We see now the Interstate Commerce Commission is doing a little urging with respect to railroad consolidations, and that is all to the good. But consolidations must come voluntarily, just as they have in the past and I am sure will continue in the future.

You will probably expect me to say something about the Delaware and Hudson Company and its subsidiaries, with which I am happy to be associated. Our railroads are in excellent physical condition and in good financial condition. Our coal company labors under the difficulties of all anthracite companies—a declining market and a deteriorating price situation. While the D&H earned only $5.54 per share last year and paid almost all of it out in dividends, there was no deterioration during the year in our working capital or quick asset position. The railroads are fully Dieselized and have an adequate car supply. Capital requirements in the near future are not great and the heavy maintenance expenditures of the last 15 years make it possible to curtail maintenance programs without any detriment to the property.

As probably many of you know, a good job was done in reducing debt and improving the physical condition of the property and equipment. These facts, together with the working capital position and lesser need for capital expenditures in the near future, and the somewhat better business climate and outlook for earnings this year, indicated the ability and dictated the advisability a few months ago of paying an extra dividend of $1.50 per share on top of the regular dividend of $1.00 per quarter that has now been paid for 10 consecutive years.

In effecting debt reduction, improving the physical condition of the property and making the rather large capital expenditures necessary for complete Dieselization, etc., stockholders' money was used, and the payment of an extra dividend — which required no apology of course, especially to the stockholders—was merely doing justice to the stockholders, and that will always be our policy.

A word about the Coal Company. It lost about $2,900,000 for two consecutive years, but its situation has been improving. Whereas there was a loss of $730,000 in the fourth quarter of 1953, this loss was reduced to $145,000 in the fourth quarter of 1954 despite a lower realization of $1.02 per ton of coal sold. Colliery costs per ton of coal produced were $2.02 per ton lower in the fourth quarter last year than in the same quarter the previous year. In the first two months of this year, the Coal Company's loss was $17,000 against a $560,000 loss in the first two months of 1954.

The management of the Coal Company has come to grips with the necessity of curtailing their producing units and cutting the cloth to fit the patient, which is just another way of saying that operations must be geared to a declining market. There is a serious price situation existing in the anthracite industry at the same time that we have a falling market, and while we do not expect the results of the last two months to be indicative of what might be expected for the entire year, I am quite certain that this year as a whole will show good improvement over the last two.

As a result of increased rail and coal sales revenues and reduced railroad and Coal Company expenses, the Delaware and Hudson had consolidated net income for the first two months of this year of $918,000 against a loss of $310,000 last year. Earnings for the first two months amounted to $1.70 per share. So, unless some serious situation confronts us that we cannot now foresee, this year ought to be a better one and our regular dividend easily provided.

Join D. D. Weston Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Spencer Brandeis, Donald R. Bretting, Sylvia B. Jerson, Abe L. Kuleske, William T. Maxwell, and Robert R. Pence have joined the staff of Daniel D. Weston & Co., 140 South Beverly Drive.

J. Bermant Co. Formed

Joseph E. Bermant has formed J. Bermant & Co. with offices at 19 West 44th Street, New York City, to engage in a securities business.

Railroad Securities

Chicago, Rock Island & Pacific

Last week a large group of investment bankers formally made a commitment to underwrite an issue of up to $65 million of Chicago, Rock Island & Pacific 4½% income debentures. The bonds will have a sinking fund sufficient to retire the entire amount by maturity. The purpose of the issue is to provide funds for retirement of the company's entire 5% preferred stock issue, which is callable at 105 plus accrued dividends. Now that all of the arrangements have been made there seems to be considerable question as to whether it will ever actually be necessary to issue the bonds. The preferred stock is convertible into common stock on a share-for-share basis, and this conversion feature does not expire until ten days before redemption date. To the extent, if any, that the preferred stock is converted the amount of bonds to be issued will be reduced. If all of the preferred is converted none of the bonds will be issued.

Considering the recent strength of the common, which has been moving into new high ground close to par, it is considered quite possible that the preferred stock conversion feature may become valuable prior to the time that that privilege expires. Even if the common stock does not reach the conversion parity in this interval, it is likely that quite a number of holders of the preferred will find it advisable to convert in order to avoid the establishment of large capital gains through the redemption of their stock. If the entire preferred stock issue should be converted, the present 1,408,738 shares of common stock would be increased to 2,055,638 shares. On such a capitalization, last year's earnings would have worked out to $9.08 a share compared with $10.96 actually reported. This dilution would be more than compensated for by the further simplification and strengthening of the capital structure.

As it is, Rock Island has a particularly strong capital structure. The company's bankruptcy reorganization was a particularly severe one, and following its consummation the management undertook a further aggressive debt retirement program. As a result, the company's total funded debt as of the end of last year amounted to only about $97 million, which was almost equally divided between serial equipment obligations and the first mortgage 2⅞s. Even if none of the preferred stock is converted and the entire $65 million income debentures is issued the total debt of the company will amount to only slightly more than $162 million. This would be considerably less than the $207,726,709 that has been spent on new equipment and on capital improvements to the property during the past 10 years. This money was spent for complete dieselization, two large retarder yards, installation of a large amount of automatic block signals and centralized traffic control, and many major relocation projects to reduce mileage, grades and curvature.

The comprehensive property improvement program has naturally increased operating efficiency substantially. Also, it has materially bettered the company's competitive position with respect to the lucrative transcontinental traffic. This does not mark the only change in the road's status since the period of bankruptcy. In addition, the company has benefited in a majojr way trafficwise from the industrialization of large segments of the service area. It is indicated that this industrial growth trend is continuing. While earnings last year were off fairly sharply from the 1953 level the showing of $10.96 a common share was a highly satisfactory one. This year has started out well and further sizable year-to-year gains are looked for in the coming months. Moreover, the savings to be realized from refunding of the preferred, if none of it is converted, will come to more than $1 a common share annually. Analyst consider that more liberal dividends will then be in order.

It's the Best Way

"There is a desire in many countries to leave to private enterprise on competitive lines as large a field as possible. The private sector accounts for the bulk of capital formation in Japan, the Philippines and Malaya, but even in other countries such as Ceylon, Korea and Pakistan the growth of private enterprise has been definitely faster than that of public enterprise.

"In India, where the government is investing directly in a number of industrial fields, much scope is still left for private enterprise. In China (Formosa) the government has adopted a policy of selling public enterprises to private interests.

"Ideology apart, most of the countries in the region have in practice adopted a system of mixed economy in which the public sector includes basic facilities—technical training, housing, public ownership and development of forest and mineral resources and transportation and other public utilities —while the remaining industrial sectors, especially consumer goods industries, are left to private enterprise."—United Nations.

If our own experience is a safe guide—and we think it is — these peoples will in the long run prosper in proportion as they cling to private enterprise—and leave it unfettered.

Executive Compensation Under the 1954 Revenue Code

By V. HENRY ROTHSCHILD*
Attorney-at-Law, New York City

Mr. Rothschild maintains while 1954 Internal Revenue Code represents a magnificent technical achievement, it is "a thing of shreds and patches" regarding executive compensation. Holds new Code is deficient in area of deferred remuneration, opens door to abuse in fields of stock options and fringe benefits. Predicts staggering unanticipated tax leakage and huge loss in revenue will upset President Eisenhower's Budget estimates, and indefinitely postpone tax relief.

You all remember the story of the old lady who bought apples for five cents apiece and sold them for four. She explained that she was able to make a profit because she sold so many apples. Well, that story pretty well reflects the thinking of some companies over the past several years when asked to explain their executive compensation practices. With our high taxes, these companies say, it is the government that is paying the salaries. They overlook the fact that even when a company was in an 80% tax bracket and $80 out of every $100 of salary was in effect being paid by the government, the other $20 came out of the company's coffers. You don't make money by spending unnecessary dollars, no matter how many of those dollars are tax-deductible.


V. Henry Rothschild

This is pretty obvious, but it's surprising how we tend to lose sight of the obvious in the field of executive compensation. The reason is that taxes, combined with inflation, have ravaged salaries above a certain bracket, and we've had to invent ways and means of restoring to executive compensation some semblance of the purchasing power it once had. We've had to dream up new plans of permitting a capable executive to get some kind of decent security for himself and his family—new plans under which he may be able, if all goes well and he does well, to build some kind of estate.

In an address that I delivered in July, 1953, I grouped all such plans in three general categories insofar as tax impact is concerned, namely:

One: Plans that defer the receipt of compensation and spread the compensation over a period of time, so as to level out income and bring to bear lower tax brackets—so-called deferred compensation.

Two: Plans that tax benefits received by the executive at capital gain rather than ordinary income tax rates—principally, stock plans, and

Three: Plans which result in benefits that are not taxable to the executive at all — obviously a difficult, but not impossible, objective.

What does the new Code have to say about plans in each of these categories?

I am going to be rather critical of the Code, so I want to say a few nice things about it first. H. R. 8300, which became the Internal Revenue Code of 1954, was reported to the House of Representatives on March 9, 1954, on behalf of the House Ways and Means Committee by Congressman Daniel A. Reed, its Chairman. In reporting out the Bill, Mr. Reed said:

"The Bill overhauls the entire Federal tax system from top to bottom. . . . It is the most monumental piece of legislation ever attempted by the Congress."

Well, that may be something of an exaggeration. Some of us may think that legislation such as, for example, our anti-trust laws—the Sherman Act, the Clayton Act, the Robinson-Patman Act — are at least equally important. But Mr. Reed's statement is completely understandable.

Here was a bill of some 875 pages in length (and not double or triple-spaced either), with an accompanying report (a splendid document) of 577 pages of comment and explanation. The House Ways and Means Committee had been working on this legislation with the Treasury since 1951. Particularly as reported to and passed by the House, this was a tremendously impressive and ambitious document—seeking to rewrite the law so as to remove uncertainties, resolve conflicts in case law and interpretation, substitute objective statutory rules for administration discretion.

Regrettably, as finally enacted many of these laudable objectives failed of accomplishment, notably in the field of executive compensation. The new Code makes important changes here and there, but in the last analysis the law is a patchwork of changes rather than a fundamental revision. Particularly in the field of executive compensation the new Code, like its predecessors, is primarily a recodification, a general reshuffling and renumbering of sections, with amendments tacked on here and there. Many changes of substance, yes; but comprehensive revision in this uncertain field, no.

Now let's take a look at what the Code does or does not do for each of the three categories of compensation plan mentioned above — deferred compensation, stock plans and plans involving no tax.

I

Deferred Compensation

Let's take first the field of deferred compensation. For tax purposes there are two general types of deferred compensation plan—on the one hand, qualified group pension, deferred profit-sharing and retirement plans covering a relatively large group of employees, and, on the other hand, non-qualified plans usually confined to an individual executive or a group of top executives.

Qualified Plans: The qualified plan may be entitled to specific tax benefits: no tax on the employee until he receives benefits; a capital gains tax if payment is made in a lump sum; no tax at all on appreciation in the employer's stock when distributed to the employee; a tax deduction to the employing company as payments are made into the plan; tax-free income to a trust established in connection with the plan. To secure these substantial benefits, a plan must, as you know, not discriminate in favor of officers, stockholders, supervisory or highly compensated employees.

The determination of the highly important question of whether a plan is so discriminatory has, for the most part, been a matter of administrative determination in the past. The House bill attempted a fundamental change in this regard by substituting for administrative determination concrete statutory yardsticks as to what constitutes discrimination. For example, the bill specifically provided that a plan would be considered discriminatory if more than 10% of participants were key employees. Key employees were defined as the highest-paid 10% (but not over 100). A plan which included 25% or more of the company's employees (but not less than 10) would not have been considered discriminatory in favor of key employees.

Among other important changes, the House bill permitted some discretionary allocation of profit-sharing awards. Under existing law, a company's contribution to a qualified profit-sharing plan must be allocated among participants of the plan in proportion to salary or the plan may be disqualified as discriminatory. So as to permit individual incentive awards, the House bill would within limitations have allowed 25% of the company's annual contribution to be allocated among employees in the company's discretion, without reference to salary or other earnings.

So much for what the House bill would have done for qualified deferred compensation plans.

Non-qualified plans: With regard to non-qualified deferred compensation arrangements, the law has long been in a highly uncertain and confused state. In the 1940s, the Commissioner of Internal Revenue issued a few private rulings, but for the last few years he has steadfastly refused to issue any rulings at all, and the Treasury has failed to issue any regulations or to take any official position upon this type of arrangement. A year and a half ago, in a statement which received wide publicity, I referred to this situation and called the failure on the part of the Treasury officials to assume responsibility shocking. Bad as it was in 1953, the tax situation in the deferred compensation field is even worse today.

The uncertainty in the law has led to the fear that an employee may be taxed under a non-qualified deferred compensation arrangement when the arrangement is made, even though he may not receive payment for many years—and perhaps not at all. If the employee is properly protected against such a tax, the fear arises that the company may lose its tax deduction entirely. The House bill would have removed this uncertainty by providing specifically for a tax on the employee only in the years when he is actually receiving payments. As for the company, its tax deduction would have been allowed when payments were made. The bill would further have postponed taxes on the employee in the case of an annuity purchased for him by an employer until the employee actually received payments under the annuity.

The Practicing Law Institute Forum: In May, 1954, the Practicing Law Institute held a two-day forum on the tax bill as passed by the House. The persons who took part in this forum were, on the one hand, those with first-hand experience with problems presented by the various sections covered by the bill, and, on the other hand, representatives of the Treasury Department who had worked on these sections.

The forum brought out many flaws in the House bill. Following the forum and hearings thereafter held by the Senate Committee on Finance, the Senate eliminated substantially all the major provisions in the House bill relating to deferred compensation — both those relating to qualified plans and those relating to non-qualified arrangements—and left the law pretty much as it was before.

I think this was unfortunate. With regard to qualified plans, there are some who believe the law to be generally satisfactory as it is. Personally, I favor the House approach under which statutory yardsticks would have been substituted for administrative discretion. While specific provisions in the House bill were open to objection, I think the bill could have been revised so as to eliminate the need to secure rulings on non-discrimination for the usual pension or profit-sharing plan.

The House provisions on non-qualified arrangements left some ambiguities and unanswered questions. Undoubtedly there was room for improvement, but the basic approach was reasonable and sound. By first adopting and then abandoning this approach, Congress has left the field even more uncertain, ambiguous and unpredictable than before.

There is a great deal to be done on tax legislation by the new Congress. One of the first and most important subjects on which we must have legislation is deferred compensation.

Changes Effected by the New Code

The changes actually made by the new Code are minor compared to the ambitious undertaking reflected in the House bill. Provisions relating to so-called prohibited transactions, such as loans without adequate security or reasonable interest, have been made applicable to funds established in connection with qualified plans. Provisions relating to unrelated business income heretofore applicable to foundations and educational institutions have also been made applicable to trusts under qualified plans.

Apart from these changes and changes of a relatively minor nature, the new Code contains four amendments to the law deserving specific mention. These changes, it is interesting to note, tend to widen still further the gap between the tax treatment of qualified group plans and of non-qualified plans.

(1) Estate Tax: The first of these changes has to do with the estate tax. Many businessesmen and attorneys have been so much concerned with income tax problems in the field of executive compensation that they have tended to overlook estate tax questions which can be at least equally important and often involve a great deal more money. For example, take the case of an executive entitled to receive $10,000 a year on retirement for a minimum of 10 years, with a provision that if he should die before he has been paid a total of $100,000, his widow will receive the balance in instalments. The widow will be subject to income tax on the unpaid instalments, but the executive's estate may also be subject to estate tax, both Federal and state, on the commuted value of the payments still owed to the widow.

Prior to the 1954 Code, there was at least the possibility of an estate tax liability under qualified plans. The Code now confers an estate tax immunity for payments under a qualified retirement plan, provided such payments are made by or attributable to contributions of the employer rather than of the employee and are made to a designated beneficiary other than the executive's estate. A similar immunity is conferred on joint and survivor annuities under a qualified plan. No similar immunity is specifically conferred on payments or annuities under a non-qualified plan.

The new rules pertaining to estate tax immunity thus call for a review of all existing plans.

(2) Death Benefits: The second change relates to death benefits. In 1951 the first $5,000 of death benefits paid on the death of an employee to his estate or beneficiary was rendered exempt from Federal income tax. To qualify for this exemption, a death benefit had to be payable solely by reason of the death of the employee; there was no exemption if the employee had a non-forfeitable right to the exemption during his life. The 1954 Code now provides that the first $5,000 of death benefits is exempt from income tax whether or not an employee had a non-forfeitable right thereto during his life, but this is true only of a lump-sum benefit paid under a qualified retirement plan. Under a non-qualified plan, the employee's rights must be forfeitable—another reason for continuing to require consulting and advisory services and non-competitive activity!

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II

Stock Plans

We come now to plans involving benefits subject to capital gains tax—stock plans and, in particular, restricted stock options. If in the deferred compensation field Congress did little or nothing, in the stock option field Congress, in my opinion, did far too much.

Tax benefits were first conferred by statute on certain types of stock option by the Revenue Act of 1950. That Act provided in substance that if certain holding periods were observed and other conditions were met, no tax would be imposed on either the grant or the exercise of an employee option. If the option price was at least 95% of the market price at the time the option was granted, any profit on sale of the stock subject to the option would be taxed at capital gains rates; if the option price was less than 95% but not less than 85%, a profit on sale of the stock would be taxed at ordinary income tax rates but only up to the spread between market and option price at the time the option was granted.

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I don't agree. In the first place, the Revenue Act of 1950 did not confer preferential treatment, but restored the law to the substance of what everyone thought it had been for many years prior to a decision of the United States Supreme Court in 1945—and the restoration was by no means complete. Moreover, stock options should not be thought of simply in terms of supplying an incentive which would not otherwise exist. There are at least four other justifications for the stock option:

First: The stock option, selectively granted, tends to restore differentials in compensation between levels of management which were eliminated over the past decade and a half by taxes, inflation and two periods of salary stabilization.

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These are, I believe, good objectives and they were objectives of the Revenue Act of 1950. Under that Act, an option had value only to the extent that stockholders as a class benefited through an increase in value of the company's stock.

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Variable Price Options

A variable price option is one which fixes the option price in terms of a percentage of the market price at some time other than at the time when the option is granted. For example, an option may give an executive the right to buy so many shares of his company's stock over the next 10 years at a price equal to 85% of the market value of the stock at the time he exercises the option. Thus, if a stock is selling at \$100 when the option is granted, under prior law the option price would have had to be at least \$85 for him to obtain tax benefits. Under the Internal Revenue Code of 1954, a variable price option may be granted and if the stock goes down to \$50 and the executive exercises the option at that time, it seems that the executive need only pay \$42.50. This seems to be the result, although it is by no means clear, and regulations have not yet been issued.

What is the explanation for this new provision? The Committee report states that variable price options are "widely used by corporations to encourage the interest of their employees in the affairs of the business." When I was asso-

Continued on page 28

Executive Compensation Under the 1954 Revenue Code

By V. HENRY ROTHSCHILD*
Attorney-at-Law, New York City

Mr. Rothschild maintains while 1954 Internal Revenue Code represents a magnificent technical achievement, it is "a thing of shreds and patches" regarding executive compensation. Holds new Code is deficient in area of deferred remuneration, opens door to abuse in fields of stock options and fringe benefits. Predicts staggering unanticipated tax leakage and huge loss in revenue will upset President Eisenhower's Budget estimates, and indefinitely postpone tax relief.

You all remember the story of the old lady who bought apples for five cents apiece and sold them for four. She explained that she was able to make a profit because she sold so many apples. Well, that story pretty well reflects the thinking of some companies over the past several years when asked to explain their executive compensation practices. With our high taxes, these companies say, it is the government that is paying the salaries. They overlook the fact that even when a company was in an 80% tax bracket and $80 out of every $100 of salary was in effect being paid by the government, the other $20 came out of the company's coffers. You don't make money by spending unnecessary dollars, no matter how many of those dollars are tax-deductible.

V. Henry Rothschild

This is pretty obvious, but it's surprising how we tend to lose sight of the obvious in the field of executive compensation. The reason is that taxes, combined with inflation, have ravaged salaries above a certain bracket, and we've had to invent ways and means of restoring to executive compensation some semblance of the purchasing power it once had. We've had to dream up new plans of permitting a capable executive to get some kind of decent security for himself and his family—new plans under which he may be able, if all goes well and he does well, to build some kind of estate.

In an address that I delivered in July, 1953, I grouped all such plans in three general categories insofar as tax impact is concerned, namely:

One: Plans that defer the receipt of compensation and spread the compensation over a period of time, so as to level out income and bring to bear lower tax brackets—so-called deferred compensation.

Two: Plans that tax benefits received by the executive at capital gain rather than ordinary income tax rates—principally, stock plans, and

Three: Plans which result in benefits that are not taxable to the executive at all—obviously a difficult, but not impossible, objective.

What does the new Code have to say about plans in each of these categories?

I am going to be rather critical of the Code, so I want to say a few nice things about it first. H. R. 8300, which became the Internal Revenue Code of 1954, was reported to the House of Representatives on March 9, 1954, on behalf of the House Ways and Means Committee by Congressman Daniel A. Reed, its Chairman. In reporting out the Bill, Mr. Reed said:

"The Bill overhauls the entire Federal tax system from top to bottom. . . . It is the most monumental piece of legislation ever attempted by the Congress."

Well, that may be something of an exaggeration. Some of us may think that legislation such as, for example, our anti-trust laws—the Sherman Act, the Clayton Act, the Robinson-Patman Act — are at least equally important. But Mr. Reed's statement is completely understandable.

Here was a bill of some 875 pages in length (and not double or triple-spaced either), with an accompanying report (a splendid document) of 577 pages of comment and explanation. The House Ways and Means Committee had been working on this legislation with the Treasury since 1951. Particularly as reported to and passed by the House, this was a tremendously impressive and ambitious document—seeking to rewrite the law so as to remove uncertainties, resolve conflicts in case law and interpretation, substitute objective statutory rules for administration discretion.

Regrettably, as finally enacted many of these laudable objectives failed of accomplishment, notably in the field of executive compensation. The new Code makes important changes here and there, but in the last analysis the law is a patchwork of changes rather than a fundamental revision. Particularly in the field of executive compensation the new Code, like its predecessors, is primarily a recodification, a general reshuffling and renumbering of sections, with amendments tacked on here and there. Many changes of substance, yes; but comprehensive revision in this uncertain field, no.

Now let's take a look at what the Code does or does not do for each of the three categories of compensation plan mentioned above — deferred compensation, stock plans and plans involving no tax.

I
Deferred Compensation

Let's take first the field of deferred compensation. For tax purposes there are two general types of deferred compensation plan—on the one hand, qualified group pension, deferred profit-sharing and retirement plans covering a relatively large group of employees, and, on the other hand, non-qualified plans usually confined to an individual executive or a group of top executives.

Qualified Plans: The qualified plan may be entitled to specific tax benefits: no tax on the employee until he receives benefits; a capital gains tax if payment is made in a lump sum; no tax at all on appreciation in the employer's stock when distributed to the employee; a tax deduction to the employing company as payments are made into the plan; tax-free income to a trust established in connection with the plan. To secure these substantial benefits, a plan must, as you know, not discriminate in favor of officers, stockholders, supervisory or highly compensated employees.

The determination of the highly important question of whether a plan is so discriminatory has, for the most part, been a matter of administrative determination in the past. The House bill attempted a fundamental change in this regard by substituting for administrative determination concrete statutory yardsticks as to what constitutes discrimination. For example, the bill specifically provided that a plan would be considered discriminatory if more than 10% of participants were key employees. Key employees were defined as the highest-paid 10% (but not over 100). A plan which included 25% or more of the company's employees (but not less than 10) would not have been considered discriminatory in favor of key employees.

Among other important changes, the House bill permitted some discretionary allocation of profit-sharing awards. Under existing law, a company's contribution to a qualified profit-sharing plan must be allocated among participants of the plan in proportion to salary or the plan may be disqualified as discriminatory. So as to permit individual incentive awards, the House bill would within limitations have allowed 25% of the company's annual contribution to be allocated among employees in the company's discretion, without reference to salary or other earnings.

So much for what the House bill would have done for qualified deferred compensation plans.

Non-qualified plans: With regard to non-qualified deferred compensation arrangements, the law has long been in a highly uncertain and confused state. In the 1940s, the Commissioner of Internal Revenue issued a few private rulings, but for the last few years he has steadfastly refused to issue any rulings at all, and the Treasury has failed to issue any regulations or to take any official position upon this type of arrangement. A year and a half ago, in a statement which received wide publicity, I referred to this situation and called the failure on the part of the Treasury officials to assume responsibility shocking. Bad as it was in 1953, the tax situation in the deferred compensation field is even worse today.

The uncertainty in the law has led to the fear that an employee may be taxed under a non-qualified deferred compensation arrangement when the arrangement is made, even though he may not receive payment for many years—and perhaps not at all. If the employee is properly protected against such a tax, the fear arises that the company may lose its tax deduction entirely. The House bill would have removed this uncertainty by providing specifically for a tax on the employee only in the years when he is actually receiving payments. As for the company, its tax deduction would have been allowed when payments were made. The bill would further have postponed taxes on the employee in the case of an annuity purchased for him by an employer until the employee actually received payments under the annuity.

The Practicing Law Institute Forum: In May, 1954, the Practicing Law Institute held a two-day forum on the tax bill as passed by the House. The persons who took part in this forum were, on the one hand, those with first-hand experience with problems presented by the various sections covered by the bill, and, on the other hand, representatives of the Treasury Department who had worked on these sections.

The forum brought out many flaws in the House bill. Following the forum and hearings thereafter held by the Senate Committee on Finance, the Senate eliminated substantially all the major provisions in the House bill relating to deferred compensation — both those relating to qualified plans and those relating to non-qualified arrangements—and left the law pretty much as it was before.

I think this was unfortunate. With regard to qualified plans, there are some who believe the law to be generally satisfactory as it is. Personally, I favor the House approach under which statutory yardsticks would have been substituted for administrative discretion. While specific provisions in the House bill were open to objection, I think the bill could have been revised so as to eliminate the need to secure rulings on non-discrimination for the usual pension or profit-sharing plan.

The House provisions on non-qualified arrangements left some ambiguities and unanswered questions. Undoubtedly there was room for improvement, but the basic approach was reasonable and sound. By first adopting and then abandoning this approach, Congress has left the field even more uncertain, ambiguous and unpredictable than before.

There is a great deal to be done on tax legislation by the new Congress. One of the first and most important subjects on which we must have legislation is deferred compensation.

Changes Effected by the New Code

The changes actually made by the new Code are minor compared to the ambitious undertaking reflected in the House bill. Provisions relating to so-called prohibited transactions, such as loans without adequate security or reasonable interest, have been made applicable to funds established in connection with qualified plans. Provisions relating to unrelated business income heretofore applicable to foundations and educational institutions have also been made applicable to trusts under qualified plans.

Apart from these changes and changes of a relatively minor nature, the new Code contains four amendments to the law deserving specific mention. These changes, it is interesting to note, tend to widen still further the gap between the tax treatment of qualified group plans and of non-qualified plans.

(1) Estate Tax: The first of these changes has to do with the estate tax. Many businessesmen and attorneys have been so much concerned with income tax problems in the field of executive compensation that they have tended to overlook estate tax questions which can be at least equally important and often involve a great deal more money. For example, take the case of an executive entitled to receive $10,000 a year on retirement for a minimum of 10 years, with a provision that if he should die before he has been paid a total of $100,000, his widow will receive the balance in instalments. The widow will be subject to income tax on the unpaid instalments, but the executive's estate may also be subject to estate tax, both Federal and state, on the commuted value of the payments still owed to the widow.

Prior to the 1954 Code, there was at least the possibility of an estate tax liability under qualified plans. The Code now confers an estate tax immunity for payments under a qualified retirement plan, provided such payments are made by or attributable to contributions of the employer rather than of the employee and are made to a designated beneficiary other than the executive's estate. A similar immunity is conferred on joint and survivor annuities under a qualified plan. No similar immunity is specifically conferred on payments or annuities under a non-qualified plan.

The new rules pertaining to estate tax immunity thus call for a review of all existing plans.

(2) Death Benefits: The second change relates to death benefits. In 1951 the first $5,000 of death benefits paid on the death of an employee to his estate or beneficiary was rendered exempt from Federal income tax. To qualify for this exemption, a death benefit had to be payable solely by reason of the death of the employee; there was no exemption if the employee had a non-forfeitable right to the exemption during his life. The 1954 Code now provides that the first $5,000 of death benefits is exempt from income tax whether or not an employee had a non-forfeitable right thereto during his life, but this is true only of a lump-sum benefit paid under a qualified retirement plan. Under a non-qualified plan, the employee's rights must be forfeitable—another reason for continuing to require consulting and advisory services and non-competitive activity!

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Continued on page 28

Continued from page 27

Executive Compensation Under the 1954 Revenue Code

ciated with the Salary Stabilization Board we made a comprehensive study, in collaboration with the Securities and Exchange Commission, of all options on record with the Commission. We found no wide-spread practice applicable to the so-called variable price option. On the contrary, we found a bare handful of such options among many hundreds of plans examined.

Although the Committee reports do not say so, variable price option provisions appear to have been adopted with the American Telephone and Telegraph and similar employees' stock plans in mind. The A. T. and T. Plan is a stock purchase plan, but since the employee can be relieved of his commitment to buy, what he has has been ruled in effect an option. But surely provision could have been made for this type of plan without impairing the structure and concept of the restricted stock option provision.

The concept of an executive stock option has been to encourage the executive to plug for a steady increase in the value of his company's stock. The variable price option can conceivably create an incentive in exactly the opposite direction. The executive may actually gain from depressing the price of the company's stock so that he can pay cheaply for it. Take the case of an executive who receives an option to buy 1,000 shares of his company's stock over a period of five years. At the time the option is granted, the stock is selling at $100 a share. The option price is fixed at 95% of the lowest market price within a period of six months from the date when he exercises the option, as is permissible under the new tax law. When the option is granted he would have to pay $95 a share for the option stock. Let's assume that the market value of the stock goes down to $90. At this point, he could exercise his option as to, say, 100 shares and, subject to the reservation stated above, it appears that he may have to pay only $85.50 a share. (I say "appears" because this seems to be the result under the new law, but this result is by no means clear and no regulations have yet been issued.) Moreover, if within six months, the market value goes down to $80, it appears that the option price will be reduced to $76 a share. In other words, the more the stock goes down, the cheaper the stock to him, and it may thus be to his interest to see the stock go down. Furthermore, he may be tempted to exercise his option in installments and play the market.

I submit that it was unfortunate to confer tax benefits in this way, and that this provision is going to give rise to abuses. It is to be hoped that company and executive will recognize that only in the rare situation will the variable price option be of real advantage to either.

Modifications

Under the Revenue Act of 1950, once an option was granted, the option could not be amended to reduce the option price. This made good sense. There is much to be said for allowing management to participate in increased values to stockholders which management's efforts may have helped to create.

The entire concept, however, is lost when the option price, although fixed, can later be reduced and the executive can thus benefit whether the stock goes up or down.

The new law also permits reduction in the option price if there is a 20% decline in market value over a 12-months period. The previous rule (which prohibited a reduction in option price), said the Committee, "worked a hardship in the case of options on stock that had declined in value, since situations developed where the option price, after a modification, extension or renewal, had to be higher than the market value of the stock."

Why a hardship? I don't understand this point of view. There is hardship only if you consider an option as a guarantee to the executive that he is going to make money no matter what happens. The 1954 Revenue Code tends to make an option a heads-I-win, tails-you-lose proposition.

Controlling Stockholders

Before leaving the stock option amendments, I want to say one final word about an amendment relating to controlling stockholders. The Revenue Act of 1950 denied tax benefits to stockholders owning over 10% of the company's stock. The 1954 Act now extends tax benefits to these stockholders if the option price is at least 110% of market value and the term is no longer than five years. The explanation given is that the amendment is intended to enable stockholder-employees to retain control of their company when they procure outside financing. The declared purposes of the stock option section, as stated in connection with the Revenue Act of 1950 and restated in connection with the new Code, are to encourage "incentive devices by corporations who wish to attract new management, to convert their officers into 'partners,' by giving them a stock interest in the business, to retain the services of executives who might otherwise leave, or to give their employees generally a more direct interest in the success of the corporation." The 1954 amendments do not appear to be in keeping with these proper purposes.

III
Plans Involving No Tax

The third and last category of executive compensation plans are those providing benefits that are not taxable at all. The new Code contains provisions helpful to certain of such plans.

Accident and Health Plans: The most important provisions relate to accident and health plans. Under plans of this nature meeting the Code tests, the employer's costs are deductible and there is no tax to the employee either on premiums paid by the employer for the employee's account or on benefits received by the employee.

The benefits covered by the statute are those of the following nature:

First: Reimbursement for medical care, including care by physicians, and hospital and surgical care, not only care for the employee, but also for his spouse and dependents.

Second: Compensation for permanent injury or disability—e.g. loss of limb or sight.

Third: Loss of earnings up to $100 a week.

Except for the $100-a-week ceiling, there appears to be no limitation on the period or the amount of tax-free payments that may thus be made in lieu of earnings, and a total of $5,200 a year can thus be paid by the employer to an employee on a completely tax-free basis, provided the payment is made during the employee's absence from work "on account of personal injuries or sickness." This is scarcely a negligible amount; for an executive in a 50% tax bracket, a $5,000 payment of this nature would be the equivalent of $10,000 in salary or other income. Literally, the exemption might even apply to payments made during an incapacitating sickness incident to age, and conceivably might result in a tax-free pension.

The House bill confined these tax advantages to qualified group plans, with the requirement that the plan not discriminate in favor of key executives or highly paid personnel as in the case of pension and retirement plans. However, the requirement of a qualified group plan was eliminated by the Senate and, as finally enacted, there is no prohibition against discrimination and there appears not even to be a requirement of a group, except to the extent that a group may be needed as a prerequisite of obtaining a group policy from an insurance company, and except as the term "group" may be embraced within the requirement that there be a "plan." As finally enacted, the statute seems broad enough to confer tax benefits upon individual insurance policies and possibly individual benefits paid pursuant to an established practice. However, I doubt whether the Internal Revenue Service will acquiesce in such an interpretation without a struggle, even though the Senate report says that the exclusion from tax is intended to apply regardless of whether the plan covers one employee or a group of employees.

Prior to the 1954 Code, the tax law pertaining to health and accident plans was uncertain. A comprehensive review of the law prior to the Code and of the Code itself was made last month by the "Yale Law Journal," which concludes that "the new Code increases judicial unpredictability in this area."

Group Life Insurance: Another important provision of the new Code is that exempting from estate tax the proceeds of insurance policies in which an employee has no incident of ownership. Previously, such policies were subject to estate tax if the premiums were directly or indirectly paid by the employee. Premium payments have been eliminated by the Code as a factor, and group policies in which employees have no ownership interest, have, as a result, the added attraction of escaping an estate tax on the proceeds.

Expenses and "Perquisites": The new Code contains provisions helpful in other limited situations. Prior to the 1954 Act, an employee could not deduct travelling expenses on his tax return unless he was away from home overnight or was reimbursed by his employer or unless he sacrificed the standard deduction. Under the 1954 Code, he can deduct such travel expenses and still use the standard deduction.

The Code also contains provisions helpful to sales executives who are so-called "outside salesmen." They can deduct travelling and other expenses, including entertainment and commissions paid to others, as if self-employed.

Finally, on the subject of nontaxable benefits, the law has been somewhat relaxed on the taxability of apartments or other living quarters paid for by a company and used for executives. If living quarters are located at the place of employment and the employee must accept the quarters to get or keep his position, the rental value of the quarters will not be taxed to the employee. To a large extent this restores the old "convenience of the employer" rule in determining taxability of homes or living quarters furnished by a company for its employees.

Summary

To sum up: The Internal Revenue Code of 1954 is a magnificent technical achievement, but, insofar as executive compensation is concerned, it is a thing of shreds and patches.

The new Code fails to legislate where legislation is urgently needed in the field of deferred compensation. It overlegislates in the stock option field and opens the door to abuse.

It also opens wide the door to abuse in the field of health and accident plans, where the Code creates further uncertainty. Exempting fringe benefits of this nature from tax can be very costly. In fact, the tax status of the entire fringe benefit field calls for comprehensive review. The purpose in conferring tax advantages on such benefits is laudable, but the result must be weighed against the effect on the national budget and the great loss to the Treasury in revenue.

Insufficient consideration was given to a number of provisions in the new Code. I am informed that from one provision a single company is claiming a tax saving equal to the Congressional estimate of loss of revenue as a result of this provision for the entire country as a whole. I predict that the amount of unanticipated tax leakage from the new Code will be staggering. I am afraid that President Eisenhower's recent revenue estimates in his budget message will prove far too optimistic and that the chances of further tax relief are slight for some time to come. Instead of considering tax relief, our 84th Congress may very well have to keep busy tightening the revenue laws and closing loopholes.

Fortunately, there are few companies that run their business like the little old lady with the apples. The great majority of companies are not going to grant variable stock options indiscriminately or adopt health and accident or other fringe benefit plans just for the tax savings. We can continue to count on the good sense and judgment of American enterprise.

Continued from first page

Economic Implications of The Guaranteed Annual Wage

country for a number of years. However, they have not covered important segments of the economy. The most widely cited plans are those in effect at Procter and Gamble, Hormel, and Nunn-Bush. The demand for a further extension of such plans stemmed from the proposals of the Steelworkers in the 1943-44 basic steel negotiations. However, union demands have been modified significantly during the past decade. This becomes clear when the 1943-44 proposals are compared with those advanced currently.

In 1943-44, steelworkers demanded that:

(a) **All** steelworkers should be guaranteed a minimum weekly wage for the life of the contract which was to be **two years.**

(b) The wage was to equal 40 times the straight time average hourly rate of earnings in the preceding year plus any wage increase received.

(c) No limitation was placed upon the financial obligation of the companies.

(d) There was no integration with unemployment insurance.

The demands made in the last few years differ significantly from this proposal and reflect the strong criticisms directed against it. In general, the current proposals in an effort to make them palatable to employers, are designed:

(a) To limit protection to employees with designated seniority (usually one or two years).

(b) To provide for payments into a reserve fund based upon cents per hour or a percent of the payroll.

(c) to tie in the payments with state unemployment insurance payments, and

(d) Sometimes to limit the guarantee to something less than full time earnings.

Under these proposals, the covered worker would be protected only to the extent that the reserve fund is solvent. It is no longer an unconditional guarantee for a year or longer. Rather, the proposals involve a liberalization of unemployment insurance, with the companies paying the difference between the designated goal as to amounts and duration and the coverage provided by the state funds. The net effect of these newer proposals is to limit significantly the degree of financial responsibility assumed by a company if it agrees to a guaranteed wage proposal and if the necessary changes can be made in state laws to provide effective integration with U. C.

Alternative Types of Guarantee

In terms of the **financial cost** of the proposed plans, they may be clasified as follows:

(1) Unlimited guarantee — 52 weeks at full pay for all employees.

(2) Unlimited guarantee with designated provisos — protect all employees with designated seniority at a liberal percentage of their weekly income for a period which may be less than a year.

(3) Limited guarantee — contractual obligation to pay only specified cents per hour or a percentage of the payroll into a reserve fund which is used to meet the wage guarantee to the extent of its resources. Drains on the fund may be limited by provisos similar to (2) above.

Much of the discussion of guaranteed wage plans fails to distinguish between these three types of plans. Many of the criticisms of the unlimited guarantee and of its financial consequences may not apply to the reserve fund. In terms of the impact on the economy, much of the discussion up until several years ago was concerned with the unlimited guarantee—the 1943-44 steel proposal. Apparently, the critical evaluation of those earlier proposals was convincing because the more recent union proposals represent a drastic modification of earlier demands. In making this statement, I hasten to add that I recognize that the limited guarantee may represent only a first step—a case of getting the camel's nose in the tent. Therefore, it is important to evaluate the impact of the unlimited guarantee as representing the real objective. But if this is feared, it should be so stated explicitly because otherwise the criticisms may seem to be unreal in terms of the program under discussion.

The Incentive to Advocate Liberalized U. C.

The hope is frequently expressed that as a result of coordination with U.C., employers will be induced to press for a liberalization of the state unemployment insurance laws in order to reduce their financial obligations. Reference is sometimes made to a change in the attitude of employers toward the liberalization of the OASI benefits after pensions were introduced in mass production industries.

It is inferred that it was because of the pension tie-in with old age security payments, that the OASI benefits were liberalized in 1950. According to this theory, employers supported the liberalization movement in order to reduce their own payments under the pension program.

A brief survey of the timing of events in 1949-1950 indicates that this is not an adequate interpretation of the developments of that period. The Bethlehem Steel agreement on pensions was reached on Nov. 1, 1949. Ford had adopted such a plan in September 1949. The House of Representatives enacted a liberalization of OASI on Oct. 5, 1949. The Senate did not pass a bill for increases until June 20, 1950. The President signed the bill on Aug. 28, 1950.

Of even greater importance than these developments, however, was the liberalization of the minimum wage laws from 40 cents to 75 cents an hour. This measure passed the House on Aug. 11, 1949, the Senate on Aug. 31, 1949, and was enacted into law on Oct. 26, 1949. The recommendations concerning pensions by the Steel Wage Board were made early in September, after a minimum wage bill had been passed by both Houses of Congress.

The increase in the minimum wage reflected mainly the rise in living costs after the Fair Labor Standards Act was passed in 1938. The CPI rose by 70% from 1938 to 1948. On this basis, the minimum wage had to rise to at least 68 cents an hour to be equal, in real terms, to the 1938 total. However, since it is generally agreed that living costs rose more for the lowest income groups, the 75 cents an hour minimum made allowance for this factor.

With this recognition by Congress of the importance of making adjustments for the sharp rise in living costs, it was logical that a similar adjustment should be made for the OASI payments. While employers in some instances changed their attitude toward the proposal, it is in this compensation for inflation rather than pressure by employers in an effort to reduce pension costs, that the real explanation is found for the liberalization of social security benefits. The Unions may be overestimating the influence of employers on Congress and on state legislatures.

There may also be a misjudgment of the financial interest of employers in liberalizing U. C. Employers pay the **entire** cost of unemployment insurance against half the OASI cost. With the proposed seniority requirements for eligibility for the GAW payments and the burden of unemployment falling on those most recently hired, many companies may even find the cost of a liberalized unemployment compensation program is greater than the payments into a reserve fund and hence may not get behind the liberalization movement.

There is no reason to expect united action by employers. Employers will fall into two groups:

(A) Those who will have much larger than average unemployment and hence would like to have the burden assumed in part by other employers through a liberalized U. C.

(B) Those who have stable or expanding employment and who might have to bear part of this increased financial burden despite merit rating.

It is difficult to visualize the second group of employers rushing to state legislatures to demand a more liberal U. C. with the accompanying rise in their tax rate. On the contrary, these companies could be expected to oppose such a movement toward liberalization.

The important point is that U. C. is not a substitution for the cost borne by employers; it is also a cost to employers. However, the final incidence of costs among companies may differ if they are shifted in part to U. C.

Moreover, with 51 state and territorial jurisdictions, the problem of liberalization of U. C. is much more complex than it was for OASI, for which the change had to be made only by Congress. The political balance of power between large and small employers, farmers, workers, and independent voters, varies from state to state. There is no assurance, therefore, that all states in which a company operates will liberalize U. C. in a similar manner. A company probably would find itself dealing with a wide variety of situations in terms of its financial responsibility under integration with U. C.

Implications of Unlimited Versus Limited Guarantee (Reserve Fund)

Strange as it may seem, all management cannot be in agreement as to which is the more desirable or the "least worst" approach if a guaranteed wage plan is to be adopted. The economic characteristics of a company or an industry will be decisive in this connection. For example, an industry with expanding employment (growth industries) or with stable employment (industries selling necessaries of life) might prefer a plan with an unlimited guarantee as being less costly than specified payments into a reserve fund. The former alternative could cost less than the latter. Conversely, industries with wide cyclical fluctuations, such as durable goods industries, would of necessity have to choose the known cost of a reserve fund with its limited liability, to the contingent unknown costs involved in an unlimited guarantee.

It is not an accident that the few GAW plans with relatively unlimited guarantees have been concentrated in industries which have the following characteristics:

(1) They produce consumer goods.

(2) The goods are non-durable, or semi-durable.

(3) The goods are necessities or common conveniences.

(4) The goods are easy to store; there is little risk in style changes.

(5) There is differentiation of product.

(6) They are finished goods when manufactured, ready for consumers.

(7) There is a relatively stable consumer demand.

(8) The firms are generally small units.

It is only in industries with these characteristics (as well as those which are growing), where the guarantee will not be costly, that the unlimited guarantee does not involve an excessively burdensome financial cost. And

Continued on page 30

Continued from page 29

Economic Implications of The Guaranteed Annual Wage

even under these conditions, various escape clauses have been included in the existing plans. The wide fluctuations in demand and in employment opportunities in the durable goods industries, on the other hand, have acted to restrain them from entering into such unlimited guarantees on any important scale.

If companies do not set aside some reserves to cover the unlimited guarantee, then they find themselves subject to heavy claims at a time when it may be most difficult to meet them. High and inflexible total labor costs when business volume is contracting could place a company under an unbearable financial strain.

A major objective of the GAW is to stabilize employment opportunities. Most proponents express the hope that such a program will place management under pressure to stabilize production and employment in order to reduce the financial obligation. Paradoxically, the reserve fund approach, with its specified financial cost would provide less pressure to achieve this objective than would the unlimited guarantee plans. The U. A. W. has recognized this problem. Point six of its 1953 program provided "Financing should combine pay as you go, to provide employers with incentives to stabilize employment, with a reserve trust fund to meet abnormal costs." This seems a clear recognition that the limited reserve plan alone would not provide the incentive to stabilize employment which is one of the alleged objectives of the GAW.

Reserve Fund Based on Contributions of Fixed Cents per Hour

Where a plan proposes the payment of some designated number of cents per hour, many of the problems are the same as those involved in a general wage increase. From the point of view of management, whether it pays 5 cents an hour into a reserve fund or gives a general wage increase of that amount, the result is higher labor costs. Interestingly, the payment into the reserve fund will tend to be somewhat less costly than a wage increase because it probably will be unnecessary to pay unemployment taxes or social security taxes on the amounts involved. Moreover, the earnings base for pensions will be kept lower. Thus, in the absence of other considerations, the union program would be less costly than a general wage increase of the same amount.

It is not safe to assume that all workers will favor the reserve fund alternative. From the viewpoint of many workers, the wage increase would be the preferable alternative. For example, the worker with long seniority foregoes an increase in income so that future income can be stabilized for those with little seniority. How long will he be happy with such a situation where his job is comparatively secure? If there is a seniority requirement of two years for eligibility under the plan, workers with shorter seniority would receive neither the wage increase nor the benefit payments if they were laid off. The acceptance of the alternative of a payment into a reserve fund could easily create a political problem within the union. This is an area that requires greater analysis than it has received in the discussions to date.

When payments are made into a reserve fund, it is important that such payments be added to other labor costs when comparisons are made with changes in productivity, cost of living, and wages in other industries. Otherwise, a company which has incurred total increases in costs as large as other companies, or increases which are equal to or exceed productivity gains would have its situation presented in an unfavorable light. That this is not unimportant, is indicated by the limited extent to which wages, inclusive of pension or welfare fund payments, are used in comparisons today.

Moreover, an important warning is in order. The establishment of a fixed cents per hour reserve fund appears to limit the liability of a company. However, there is no assurance that this is the end of the matter. It could very well be only the beginning. The manner in which the coal pension fund costs have risen from 5 cents a ton to 40 cents a ton in relatively few years, will be recalled in this connection. The liberalization of pension and welfare funds since their introduction on a large scale about five years ago is also fresh in our memories. Inevitably there will be pressure for liberalization in the three areas of proposed limitation: senioritiy, relationship of benefit payments to current income, and the duration of benefit payments. The seniority limitation would probably be the first to be liberalized, as the UAW has already suggested. I think it will be agreed that it doesn't make much sense to guarantee wages and then to exclude from protection those who bear the full brunt of unemployment. Two years seniority will give way to one year and ultimately the demand could be for protection of all workers except during some brief probationary period.

If large scale unemployment should develop, situations may arise where the reserve fund is exhausted by the time those with longer seniority lose their jobs. Yet these are the employees to whom management would feel its greatest obligation. The pressure would become very great and in some manner they would have to be given treatment as favorable as that received by workers with lesser seniority. Or if there are still funds available, would they be used for workers with long seniority while others would be cut off from benefits?

The Electrical Workers have tried to meet this problem by proposing that the fund should be reserved in part for employees with less than three years' service, in part for the three- to five-year service group, and in part for the over five-year service group. This proposal, in effect, recognizes the pressures that might arise and hence reflects the potential liability to which employers may be subject due to such a development. It may also create future problems, if any part of the fund is exhausted and there is little pressure on the balance of the fund. Such a breakdown of the reserves may also raise a question in the future as to whose fund this is. To what group of workers does it belong?

In light of these potential pressures, the question as to whether the financial guarantee will be limited to the payments into the reserve fund is not academic. It is of critical importance in evaluating the ultimate impact of these proposals. Evaluations, therefore, must be made on both bases.

Some Economic Considerations

The discussion of pros and cons of the GAW has been reflected in a variety of arguments. Many of these arguments are emotional, others are based on social or economic considerations. The economic arguments of the proponents include: an increase in the stability of the economy, provision of incentives to management to regularize employment, greater productivity by workers who have been given greater security, and reduction in labor turnover. The opponents challenge these arguments and, in addition, emphasize: tremendous financial costs, growing immobility of labor, reduction in job opportunities because of potential liability incurred in hiring a man, increased rigidity of labor costs, necessity for higher prices, and inability of management to control demand for the products. A detailed evaluation of each of these arguments would fill one or more books. All I can do is to discuss briefly several aspects of this problem. I shall consider the GAW as a built-in stabilizer, the investment of GAW reserve funds, and the GAW and mobility of resources.

The GAW as a Built-in Stabilizer

In recent years, a new term—"built-in stabilizers"—has found its way into economic literature. This term refers to the effects of unemployment insurance, OASI, income taxes, and farm supports, which operate to compensate for changes in the private economy. They draw funds out of the private economy during a boom, thus placing a modest damper on that boom. On the other hand, they provide a compensating offset to the reduction in purchasing power during a recession. It is claimed that the GAW will act to strengthen these tendencies.

At the outset, it should be noted that built-in stabilizers do not begin to operate until a decline in economic activity takes place. In other words, it is the decline in activity or unemployment which triggers the built-in stabilizers. It is clear, therefore, that the built-in stabilizers cannot prevent economic fluctuations from taking place. However, they may act to limit the magnitude of the swings.

The unlimited GAW will not necessarily operate as a built-in stabilizer. If companies of their own volition establish reserves in boom times to be drawn upon in poorer times, presumably such reserves would be invested rather than held in cash. There would be no restraint upon workers' spending in boom times. While there might be some contribution to the maintenance of purchasing power of workers during periods of recession, as the wage guarantee is met, there would probably be offsetting reductions in other types of business spending. Business could not use its available resources to make these payments and at the same time, continue its other programs of spending. Thus, the net effect on purchasing power would be relatively small. The actual result might even be negative if the financial stability of many companies were threatened as a result of large-scale unemployment.

What about the limited guarantee in terms of cents per hour, intended to supplement U. C. If the monies paid into the reserve fund were amounts that would otherwise have been available to increase wage rates—a reasonable assumption—the impact is alleged to be as follows: There would be less spending for consumers' goods during the boom. Conversely, during the recession, it is held that workers' incomes would be better sustained and that this development, in turn, would act to hold up consumer demand and thus to limit the magnitude of the recession. Parenthetically, one wonders where the establishment of such a reserve fund would leave those unions which have been contending for years that booms end because of an inadequacy of consumer purchasing power. It is going to be difficult for some people to ride the GAW horse and the consumer purchasing power horse at the same time since they may tend to move in opposite directions during the boom.

This states the case in its simplest terms. Actually, the situation is much more complicated and there would be a number of other developments which would have to be considered. During the boom the money paid into the reserve fund would represent savings which presumably would be invested and in turn lead to the creation of more purchasing power. The total volume of purchasing power would be little different, although there might be differences in the structure of production with greater emphasis upon capital goods. Whether this would lead to a rate of new capital investment which could not be sustained, is an interesting question. If it did, such a situation could very well aggravate the subsequent decline in economic activity.

During the recession, on the other hand, the reserve fund would pay out money on balance. This would curtail the funds available to finance new capital investment with the consequent reduction in activity in that area of the economy. New capital investment has been one of the most volatile elements in our economy. Any actions which would tend to accentuate the swings in this segment of the economy could very well aggravate, rather than moderate, the business cycle. I recognize, of course, that the incentive for new capital investment might be dampened during a boom if consumer demand were held down, and that incentives might be sustained during a recession if a collapse in consumer demand appears to be avoidable. I do not pretend to know how these forces will balance out. I am calling them to your attention so that you can see that there is no sure or simple blueprint of the impact of the reserve fund on the economy.

It is also important to note that there are significant differences between the built-in stabilizers to which I referred earlier, and the GAW. The U.C., income tax, OASI, farm program and other built-in stabilizers operate through their impact on the net flow of funds to or from the government. The government contributes a flow of funds to the purchasing power stream through these devices during a period of recession and withdraws some purchasing power from the private economy during periods of expansion or boom. In contrast, the proposed reserve funds would operate solely within the private economy. While the subject needs additional exploration, I am inclined to believe that the proposed GAW reserve fund will not have the same built-in stabilizer effect as the programs which involve a flow of funds into and out of the private economy.

There are many other facets of this same problem. The significance of any impact obviously will depend upon the magnitude of the funds involved. It will also depend upon the type of limitations included in these programs. For example, where eligibility for benefits is limited to those workers who have two or three years seniority, as has been proposed by some unions, then the workers who are laid off earliest would not receive any benefits from the reserve fund. This low seniority group, which would vary in relative importance among companies, would not receive an offsetting benefit to its loss of wage income. At the same time, many workers who continued to hold their jobs would lose overtime pay. The net result could be a substantial cut in wage incomes which would not be offset by any payments from the reserve fund. Under these conditions, the reserve fund would have little influence during the early stage of a recession. On the other hand, during this period a small contribution to personal incomes would be made by unemployment compensation. This contribution could be increased if the present U.C. programs were liberalized.

In light of these factors, I am inclined to believe that the contribution which can be made to economic stability by the GAW through the purchasing power route, has been considerably exaggerated.

The Investment of GAW Reserve Funds

The manner in which the GAW reserve funds are invested must also be given careful consideration. Will these reserves be invested in government or municipal bonds? Will they follow the pattern of the pension funds and be invested in stocks and bonds? Or will the probable fluctuations in the resources of these funds dictate that they be kept to a large extent in the form of cash or invested in the shortest term government securities? In setting up an investment program for these funds, it is important to keep in mind that they differ significantly from the pension funds which are much longer term in their objectives. The GAW reserve funds would have to be more liquid, particularly since, in general, they would be making net payments at times when economic activity was declining.

Unlike the OASI and U.C. funds which are confined to investment in government securities, the GAW reserve funds could be invested to some extent in a diversified list of stocks and bonds. If this were done, then in prosperous times these reserve funds are likely to add to their holdings of securities, while in a recession, they would have to liquidate some of these securities. These gyrations in buying and selling could have some influence on the securities market. If they operated to accentuate advances and declines in the general level of stock prices, the reserve funds could be an unstabilizing factor.

Institutional investors are becoming increasingly more important as a market influence, and this trend could be accentuated by the operations of the GAW reserve funds. Only it is more certain that there will be occasions when the GAW reserve funds will have to sell securities than has been the case for most of the pension funds up to this time.

These dangers can be reduced if the funds are invested in short-term government securities. However, even this type of investment would have effects which must be evaluated. The effect would depend upon who was selling or buying the government securities. For example, if the government bonds are bought from the commercial banks, as is likely in large measure, the banks will be in a better position to finance inventory accumulation, consumer credit, stock market credit, and other types of credit expansion during the boom. The sale of bonds by the banks would act to reduce total deposits while the new loans would result in the creation of new deposits. In effect, there would be a transfer of deposits from those who bought the bonds to those who were making the new loans. While the net effect would probably be little change in the total supply of deposit money, the new loan deposits are certain to be more dynamic than those which they replace.

This development would act to accentuate the boom, which, to a large extent, is usually based upon a large increase in the extension of credit. Greater instability, rather than stability, could be an important consequence.

On the other hand, if the bonds were bought from the Federal Reserve system, the effect would be a narrowing of the credit base and this would act to place a damper on the boom. The effects of the purchase of bonds held by individuals would depend on what they did with the funds. For example, if they used the proceeds to finance new capital investment, there would be a stimulus to the boom. Their use to repay debts or to reduce the need for new borrowing would operate in the other direction. To the extent that longer term government securities are acquired by the GAW reserve funds, the impact of their purchase and sale upon the bond market must be considered. During prosperous times, these reserve funds would be competing to buy the securities, while in a recessionary period there would be competitive sales. In contrast, the U.C. funds are administered by the Federal Government. Acquisition and disposal of government bonds can be more orderly and with less impact on the market than the uncoordinated actions of private reserve funds.

In any event, the problem of how these funds are to be invested and the effects of these investments, requires much more study than it has received to date.

The GAW and Mobility of Resources

It has been charged that the GAW will restrict the mobility of some factors of production. Particular emphasis has been given to possible immobility of labor. In this connection, an interesting situation should be noted. From the point of view of a company, low labor turnover is valuable, while from the point of view of the entire economy, the shift of workers among jobs may be desirable. Will the adoption of a guaranteed annual wage plan reduce the mobility of labor? Some factors which operate in this direction are already in operation, namely, seniority provisions and the interest which many workers now have in pension plans. The combination of a pension program, seniority, and a guaranteed annual wage plan, could provide a strong incentive to a worker not to change his job. Any tendency toward a reduction in the mobility of labor is certainly not in the direction of the best allocation of labor. In the past, it has been considered desirable for labor to flow into those industries which are expanding and for the supply of labor to contract in declining industries.

The danger of reduction in mobility is sometimes dismissed on the ground that when there is mass unemployment there are few opportunities to shift jobs. This is probably true to some extent, although some shifting of jobs becomes possible as employment opportunities begin to expand. However, there are other times when mobility is possible. It is the reduction in willingness to shift jobs when they are available which is of importance in the effective operation of an expanding economy.

In addition, periods of war emergency require large scale mobility of labor. This would be impeded by the GAW. The result could be a necessity to allocate workers if the required goods and services are to be obtained.

Moreover, the GAW may act to limit mobility of plants. Often it is desirable to shift operations to another section of the country. The GAW may have as one effect the establishment of another barrier to such shifts. This may be a desirable barrier from the point of view of the community which is losing the plant. However, it is not desirable for the economy to lose this flexibility. If the company has assumed the responsibility of the GAW, it may find that the cost of such a shift is excessive. Alternatively, the reserve fund might be exhausted from paying benefits to the newly displaced employees and hence provide no protection for those who are still on the payroll in other areas. Possibly some integration of severance pay and the GAW might be arranged to overcome the problems which arise under these circumstances.

Some Concluding Observations

I should like to conclude with some general observations. The GAW involves many complex problems. There can be no quarrel with the goal of giving some protection to those who lose their jobs and their income through no fault of their own. The unemployment insurance program was designed to provide some such protection. Unfortunately, the benefits paid under U.C. have failed to keep pace with the rise in wages we have experienced in the past 15 years. There is considerable agreement that a revision of these laws, in order to increase maximum benefits, is long overdue. The fact that there has been unwarranted delay in increasing the maximum benefits under these laws does not prove that something less desirable should be adopted.

U.C. was designed to provide for basic necessities and at the same time to encourage the unemployed to seek employment; the GAW, on the other hand, would discourage the seeking of new jobs.

I must confess, too, that I cannot understand any program which is intended to pay those who are unemployed substantially as much as is paid to those who are employed. This apparently means that wages are to be paid on the basis of need rather than on the basis of contribution to production. Will the next step be to pay wages in terms of the number of dependents of the worker?

May I also note parenthetically, that the payment of **full wages would mean an increase in income for the unemployed.** This situation comes about because no taxes would be paid on the U. C. portion of the income, and because various expenses, such as travel, lunches, etc., would not be incurred. Moreover, the closer any such benefits come to full time pay, the less will be the incentive of the worker to seek other employment.

While there may be some industries in which the pressure of GAW will force a stabilization of employment, I do not believe this will be true to any significant degree for industries with marked seasonal or cyclical characteristics. Much has already been done in this area. Inability to control demand is the major barrier to much further progress in the elimination of seasonal and cyclical unemployment. Where possible, it is desirable for industry to reduce the seasonal swings in production. The objective can be achieved in part

Continued on page 32

Continued from page 31

Economic Implications of The Guaranteed Annual Wage

by producing out of season and storing this output until needed. However, in many industries there is only a limited ability to undertake such operations. Lack of finances, uncertainty of demand, style factors, bulkiness of product with accompanying problems of storage space, etc., are among the limiting factors.

The full effects of seasonal fluctuations on income may be offset by withholding part of the earnings in the peak season for payment in the off-season period (e.g., Hormel plan), or by the payment of higher rates during the season as a partial or full compensation for the lack of jobs in other months of the year (e.g., building trades). However, it must be emphasized that the result of the first alternative is not a larger annual income, but rather a change in the timing of the receipt of that income. And what is accomplished is not a stabilization of job opportunities, but a stabilization in the rate of flow of income. Moreover, there is no evidence of any willingness by the CIO unions to accept that type of income stabilization. While they indicate a desire to have a uniform pattern of jobs throughout the year, when this is not possible, union leaders insist upon the retention of high earnings and overtime pay in the seasonally active periods and GAW payments to compensate for seasonal idleness. This is truly eating one's cake and having it, too.

Similarly, I do not believe that GAW can force stability of job opportunities upon the cyclically unstable industry. When the railroads curtail their buying of locomotives or freight cars, railroad equipment companies cannot provide as many jobs. They may diversify their operations, as some have done, but they cannot replace the loss of large amounts of business easily or quickly.

Moreover, the impact of changes in volume may fall with differing impact on various companies in an industry. It is only necessary to cite the automobile industry's experience in 1954 to underscore this point. The impact of the 1953-54 recession fell with tremendous weight on Chrysler and the smaller companies. It is difficult to understand how the existence of a GAW in these companies would have altered significantly the pressures which developed in that industry. Since these companies were fighting for their corporate lives, they already had every incentive to provide a maximum number of jobs—if customers would buy their products.

Even with the most favorable economic environment, there are many companies which fall by the wayside. The GAW will not stop their decline, but it may speed it up.

In conclusion, I do not believe that the GAW provides a solution to the problem of unemployment. A better answer to this problem ih found in other actions, particularly government monetary and fiscal policy, to limit the swings in the business cycle and actions by industry, to the extent possible, to moderate seasonal unemployment. I am not impressed either with the extreme claims that GAW provides a solution to the problem of unemployment or that it will lead to the bankruptcy of industry. At best, a limited GAW may alleviate some of the pain that attends unemployment—but I believe that an adequate U.C. can do this job better and more effectively.

Continued from page 6

A Look Back and Ahead for Business

prevails in Western Europe. Industrial production there in September 1954 was averaging about 10% ahead of the 1953 level, compared with a decline of 6% in this country. Production in Western Europe was not so heavily stimulated in 1952 and 1953 by defense expenditures as was true in this country. As a result, their recent improved business activity has been based largely on peacetime factors, and on American economic aid of some $25 billion to this area since 1945.

Gold and dollar balance holdings of Western Europe, including the United Kingdom and the sterling area, were valued at more than $15 billion, up $5 billion since the start of 1952. Apparently there has been a deliberate policy to build up gold and dollar balances from available funds rather than to increase imports from the dollar area. Since about one-fourth of United States exports, excluding "special category" materials, are sold to Western Europe, this preference for dollars rather than goods has affected our exports. It should be noted, however, that the trend in Western Europe in recent years has been to reduce discrimination against purchases of dollar area products, particularly in the Netherlands, Italy, Sweden, Denmark and West Germany.

Since the level of business activity in Britain early in February was approaching serious boom proportions, the central bank discount rate was increased on Feb. 24 from 3.5% to 4.5%, a drastic change in view of the increase on Jan. 27 from 3% to 3.5%. The effect of these two discount rate increases will be felt worldwide. It probably will reduce the attractiveness of holding inventories in Britain; it will put a damper on consumer purchases of durable goods on credit—or hire-purchase, as they call it; it will weaken the housing and construction boom; it will support exports and restrain imports. It seems obvious, therefore, that it will also tend to reduce prices of many important raw materials, for example, copper, lead, zinc, tin, and rubber.

It is probable that the business rise in the fall of 1954 was not the beginning of a sudden upsurge in the cycle. There is danger in extending very far into the future the rate of rise from last summer up to the present. Business activity has already risen sharply, based on the automobile, the Housing Act of 1954, and other construction. It probably is approaching the peak for 1955. While the recent rate of rise may not be continued, we can very well be satisfied with the present level.

The Outlook for 1955

What about the outlook for 1955? Any forecast today of the business situation must be based on some assumption about the outlook for war in the period covered by the forecast. The war situation seems to be improving. It does not now seem likely that World War III will break out in 1955, but the cold war may continue around Korea and Formosa, Southeast Asia, the Near East, and perhaps in other areas.

In general, the outlook for business in 1955 is for a year somewhat better than 1954. To take a specific position, let's say industrial production—the physical output of manufacturing and mining — may be 5% better in 1955 than it was in 1954. Such a rise will not return business activity to the inflated level of the spring of 1953—inflated by the end of the Korean buildup, by the carryover of some demand from the steel strike in the summer of 1952, and by substantial inventory buildup. But it will result in 1955 showing important improvement over 1954 and returning business activity to a very attractive level.

The chemical industry can expect sales in 1955 to be more than 5% better than in 1954 because of the high growth rate in the chemical industry, substantially higher than growth in industry generally. Incidentally, that is one approach we use in evaluating our sales forecasts. We estimate the trend of industrial production in the country and then estimate that our business in areas outside the textile industry will show a similar, but somewhat larger, growth. The textile business has a shorter and sharper cycle than general business.

The pattern for business activity this year seems likely to be a good first half with some hesitation in the second half. Certainly automobile production, steel output, textiles, and residential construction will have a good first half but some of the output may show up in inventory. That is particularly true of automobiles, textiles, and housing. However, sales to ultimate consumers in all three areas are relatively high. A mild reduction in output would bring production into line with consumption. Incidentally, the estimated level of business activity for the full year is approximately at the level for January, 1955.

Employment may rise a million this year over last year to around 62 million, the same as in 1953. We should concentrate more attention on the total number employed—62 million, in addition to the 3.2 million in the armed forces—rather than on the three million who may be unemployed at a particular time.

Unemployment should average lower than last year, particularly among the skilled normal labor force. Since people not normally in the labor force are attracted to it when employment opportunities are extremely favorable, we shall always have a significant number of individuals counted as unemployed. But note that while we estimate the number of unemployed, we do not have a corresponding estimate of the number of unfilled jobs. The unemployment figures are based on a national sample of 25,000 households, distributed among 230 areas in the country and questioned each month by the Bureau of the Census. The basic questions are, "Are you working?" and "If not, are you looking for work?" Those who answer "no" to the first question but "yes" to the second, are counted as unemployed.

Our present problem of unemployment centers in the unskilled, the non-white, and the very young.

Personal income after taxes will be somewhat higher in 1955, about 4%. Wage rates are still rising, and employment is increasing. Personal tax rates probably will not change significantly in 1955. Personal saving may not rise, partly because consumer credit is deducted from gross saving in arriving at the net figure, and it seems very likely that personal debt will continue to rise. It seems certain that purchasing power will be available to support the expected rise in production and construction, with some help from banks, insurance companies, and savings and loan associations on mortgage credit.

Formation of new businesses will continue high in 1955. That is a favorable factor. The rate has been high since 1945, with only slight hesitation late in 1953. It rose sharply in 1954.

Business failures will probably also remain high in 1955 because failures are always high among newly formed businesses. In spite of expected improved business activity, there will be plenty of work for credit men in 1955.

Population will probably continue to rise as rapidly as in 1954. Total births in the country last year were slightly more than four million, a new high record. They may reach four million again this year. The net population increase last year was around 2.8 million. Continued increase at that rate would raise the population of the United States by an amount equal to the population of Canada or New York City and suburbs within six years. It would add a city the size of Boston, including suburbs, every year.

A Look at Some Individual Industries

Now let's take a look at some individual industries. Automobile production and retail sales of automobiles may be up at least 10% this year over last year. A particular effort to stimulate automobile sales was made late in 1954, and it is still going on, with a major model change introduced somewhat earlier than other postwar models—with a seasonal pattern similar to that before 1940. With sales in February running more than 35% above a year ago, it is obvious that the automobile industry, and its supporting industries of steel, rubber, glass, etc., has provided strong support for the increase in business activity over the past six months.

Steel output, and ore mining, may rise 10% this year over last year, partly because there should be less inventory reduction in metal industries this year than was true in 1954. In fact, there may be actual inventory building this year compared with a decline last year.

Total construction expenditures may be up 6% this year over last year. Principal increases in construction may occur in residential 12%, highways 20%, and schools 15%. Note that the high residential construction estimate is based importantly on the generous terms of the Housing Act of 1954. Highway construction and school construction are in the field of public construction, depending on available funds, usually borrowed, rather than on the market outlook for a product. In other words, these latter two types of construction do not respond directly to mild changes in business conditions. With current public interest in road and school construction, it seems very likely that these programs will be completed in 1955.

Increases in construction, however, are not universal. Industrial construction in 1955 will probably be **down** around 5% from 1954, as 1954 was down 10% from 1953. Industrial construction has been artificially stimulated since 1950 by defense demands which are no longer so insistent as they were.

Inventories may rise slightly in 1955. Total business inventories fell almost $4 billion in 1954, or almost 5%. With sales rising, and with little price change expected, there may be a rise of $1 billion in inventories during the year.

The price outlook suggests little change or probably some decline on the average in non-farm prices during the year. They were virtually unchanged throughout 1954. There will be increases and decreases, like the recent rise in copper prices and the wide fluctuation in rubber prices, but the level of prices will change only slightly. There has been little change among these prices since the fall of 1951. There was little change in prices in 1954, when manufacturing activity declined 7%, taxes were reduced significantly and wage rates rose only four cents per hour. It seems unlikely that prices will decline importantly in 1955 with business activity rising, with probably no corporate tax reduction during the year and with wage rate and fringe benefit increases still uncertain in amount, but likely to be greater than they were in 1954. Incidentally, while prices have not declined over the past 2.5 years, personal incomes have risen, so that "real" wages have also risen.

In short, 1955 may be a good competitive year, with business volume, payrolls, and profit somewhat higher than 1954, with little additional support from the Federal Government except in the field of housing. Credit may be only "easy," not "actively easy" as was the case last year. Business activity may not reach the boom level of the spring of 1953, but the year 1955 should show some substantial improvement over the year 1954. At any rate, it will be a good year for selling.

It will also be a good year to continue to work for reduced Federal Government spending, to permit greater tax reduction and debt reduction, and an increase in private spending or in state and local spending for roads, schools, and public welfare. I hope and believe it will turn out to be another year of shifting from spending for war to spending for peace.

With King Merritt

(Special to The Financial Chronicle)

SPRINGFIELD, Mo.—James T. Rayle is now with King Merritt & Co., Inc., Woodruff Building.

With Remmele-Johannes

(Special to The Financial Chronicle)

DAYTON, Ohio — Joseph M. Dannaher is with Remmele-Johannes & Company, 1126 Oakwood Avenue.

LETTER TO THE EDITOR:

Capital Gains Tax Inequities

H. L. Sangster points out errors in the basic principles of the Capital Gains Tax, and deplores a situation where labor is given benefits to offset dollar depreciation while property owners are discriminated against by the levy on capital gains resulting from depreciated purchasing power of money.

Editor, Commercial and Financial Chronicle:

Your editorial "As We See It," of March 3, 1955 invites comment on the propensity to address ourselves to one sector of a problem at a time, to the negation of the prospect of solving anything. There is an insistent allergy to paying any attention, ever, to the really fundamental factors. This is a characteristic carried over into all disciplines, including supposedly objective science.

How can the Fulbright Committee hear testimony concerning the capital gains tax, in relation to stock market trading volume and price level, hour after hour, with no mention of the gap between monetary practice and any rational principle? This gap is the cause of the base to which the so-called capital gains tax is applied.

It would be just as meaningless to talk about breadth and width without any agreement as to number theory and the specifications of the units of measurements.

The key to knowledge has been thrown away by the lawyers; in such arbitrary actions as the Supreme Court determination that "capital gain is a gain." Language and money alike must be impartially administered common property before there can be any meaningful exchange of information, honest exchange of real values, or genuine justice.

Significantly, the cultural discipline which designates itself as "information theory" pursues the same path of futility in confining itself exclusively to the consideration of the physical aspects of communication systems, symbols, and energies, studiously avoiding, and prohibiting, any attention to meaning. They are more intrigued by noise and entropy than by sense.

The alternative to communal money is communal property, because of the confused resort to false alternatives. Inflation facilitates, as well as conditions for, socialization.

What is wrong with capital gains taxation must be considered according to the error in its basic principles, not by empirical observation of the numerous particular bad effects, in various areas. Its basic error lies in a fictitious tax base caused by the dereliction of Congress in a Constitutional duty to regulate the value of the money. That the fulfillment of this duty is difficult, and in some respects inconvenient is no valid excuse.

A similar fraud operated in the private sector would be more excusable because the buyer would then be free to beware.

The bad example set by the government in its rejection of all inhibitions in its requirements, results in demands for revenue so enormous that all consideration of equity and incentive are pushed aside by the consideration of revenue producing capacity. This is freely admitted.

At this stage there is no dependable measuring standard of stability or inflation of the money. The opinion-weighted Consumers' Price Index is further confused by the frequent necessity for change of base. Even assuming this Index to be meaningful, its application is arbitrarily reserved for some economic sectors and prohibited to others.

For example, "labor" is permitted, encouraged, and assisted in the application of this Index for their advantage, whereas property is prohibited from realizing like benefits. In the administration of the capital gains tax we have a particularly flagrant example of this discrimination. Some distinction, as to hardship might be made between the application of this tax to capital as compared to consumer property, but no such distinction could be drawn which would gainsay the basic immorality of this tax.

If the Consumers' Price Index, or some adequate index of monetary meaning were applied in the case, for example, of the sale of a residence, almost the entire capital gains tax base would disappear. In my own experience, the sale of a residence in 1951, purchased in 1941, resulted in a tax obligation on a "gain" of $11,000, whereas the actual gain was $1,100. Popular belief prevails that reinvestment cancels the obligation. This is not so.

H. L. SANGSTER

Route 1, Box 63,
Boyds, Md.
March 18, 1955.

Florida Power & Light Common Stock Offered

Offering of 305,000 shares of no par value common stock of Florida Power & Light Company at $63.50 per share was made yesterday (March 30) by an underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.

Net proceeds from the sale of these shares will be used to provide additional electric and gas facilities and for other corporate purposes. It is estimated that the 1955-56 construction program will approximate $77,300,000, of which approximately $41,300,000 will be expended in 1955.

Florida Power & Light Co. supplies electric service in most of the territory along the east coast of Florida (except the Jacksonville area and five other municipalities which have municipal electric systems), the agricultural area around southern and eastern Lake Okeechobee, the lower west coast area, and portions of central and north central Florida. The tourist trade is the principal business activity in the east coast area served. Peak demand occurs in the period January to March. Electric service is supplied in 447 communities. Gas service is supplied in Miami, Daytona Beach, Lakeland and Palatka and to a few customers in Holly Hill.

Continued from page 12

Today's Challenge to Automobile Instalment Credit

entrepreneur out of our business system. This is good and promotes stability in our economic structure. But in dealing with the consumer — the mass market consumer, if you please—our industry has an obligation to provide instalment credit on as broad a base as possible. By means of a proper evaluation of the individual consumer's personal credit standing whereby we can ascertain his ability and willingness to repay his instalment obligation, we determine the individual's right to instalment credit. Once this right has been established, the mass market consumer is then entitled to the going rate for such service. The entire philosophy of mass production, mass distribution, and mass consumption of goods is predicated on the basis of providing the lowest possible cost to all consumers and not to restrict the market by variations in price to selected groups. This means that the rate established by our industry should be based on the eost of extending credit to the average risk and each grantor should finance a fair cross section of all types of risks.

I can see how preferential rates would be granted to a certain select group of borrowers who have well established and ready means of obtaining credit on a basis other than for an instalment purchase, but I fail to see why a credit institution would, through what amounts practically to false and misleading advertising, infer to the general public that this preferred rate is available to one and all. If a credit grantor is sincere in offering what amounts to a commercial rate to the average borrower who applies for automobile instalment credit, I cannot help but believe that he is either deceiving himself as to his true cost of operations, or he is inviting trouble, particularly if there should be even a relatively modest downswing in our national economy.

A popular radio and TV comedian got quite a laugh from the following quip: "The man who writes the advertising for the bank is not the same man who makes the loan." It is easy to understand why this would be funny to the public when we read some of the come-on ads which are used to attract prospective instalment credit customers. I have seen bank ads which read: "Save With Our Low Bank Rates—As Low as 4%." In this particular instance, the ad certainly implies a 4% simple interest rate since no mention is made of its being a discount rate. Another example is: "Auto Purchase Financing — New Cars As Low as 4%. Used Cars Slightly Higher." There are undoubtedly some applicants who can qualify for such preferred rates, but there unquestionably are many who must either pay a higher rate or be turned down for credit altogether. Such advertising, as I see it, can only do harm to the instalment sales industry by planting in the minds of the public the thought that they are entitled to these very low rates (which past experience proves cannot be the case of the average instalment purchaser) and will also lead to poor public relations when they apply for loans and then find out that they are not entitled to these low rates. A persistent use of preferential rates to a select few can very well have the effect of undermining the rate structure of the whole industry.

The Major Problem—Maintaining Sound Credit Terms

The major problem which faces our industry today is that of maintaining sound credit terms. We have all heard it said that the reason there are so few elephants in this country is that they have not been sold for a dollar down and a dollar a week. While that was certainly meant to be a jest, there nevertheless is a great deal of truth in it. When you employ instalment credit to merchandise a product which has such a high degree of popularity as does the automobile, when you deliberately attempt to qualify as large a percentage of the population as possible — reaching into marginal credit groups as well as the select — anticipating and expecting credit losses on such a cross-section selection, all of which are contemplated in our basic economic function, the matter of down-payment, length of term, and credit standing of the purchaser becomes extremely sensitive and is of critical importance to the credit grantor. When you further enhance the desire of the average American to own an automobile, particularly a new automobile, with such fabulous and concerted sales promotion efforts as are now being put forth by the automobile manufacturers, we have a situation which demands the utmost management skill and judgment on the part of instalment credit institutions to keep terms of credit under control. I need not emphasize at all the effect which the current competitive battle among the automobile manufacturers has on our industry through the pressures that are being exerted daily to ever broaden the base of available car buyers through unprecedented liberalization of terms. We in this industry are all too painfully aware of this situation and of the extra efforts which are demanded of us to keep within the framework of time-tested credit policies.

One of the most fundamental premises on which the extension of instalment credit rests is for the purchaser to have an equity—a true cash equity, if you please—in his automobile. In spite of the legal right of the holder of the instalment sales obligation in most jurisdictions to follow for a deficiency, many car buyers consider their liability as being related only to the automobile which they are acquiring and that their debt can be satisfied at any time by surrendering possession of the automobile. Experience has shown that many people have an entirely different philosophy toward credit obtained at the retail store in connection with an instalment purchase and the credit which they obtain when sitting across a desk from an officer of a lending institution, even though such credit is in turn used for the same purchase of consumer goods. It is certainly a disservice to the individual buyer, to say nothing of the repercussions against the automobile dealer, the financial institution, and even the manufacturer, to permit any purchaser to acquire ownership of an automobile with an equity that is insufficient to absorb the loss in actual resale value which automatically comes about when he closes the deal. This is especially true in the case of new-car transactions where the immediate drop in value is substantial.

Not only must the buyer's equity at the time he assumes his instalment sales obligation be considered; but the rate of repayment, which is of course governed by the length of term of the contract, must be such as to maintain and preferably build up the purchaser's equity in his automobile. I pose this question to the automobile industry, manufacturers and dealers alike—"What is the effect on their future market when they attempt to sell cars today on terms which after two full years will leave the customer owing a balance in excess of the real value of the automobile?" This is happening all too frequently today. Many grantors take a willing part in such irregular deals—even encouraging them without seeming to fully realize what they are doing to themselves and the industry.

Remember that when an automobile is financed over a 36-month period, we are in effect amortizing the depreciation on that automobile over 36 equal instalments. In the case of a new car, depending on the actual make, of course, the depreciation amounts to 30 to 40% in its first year, another 15 to 20% in its second year, and 10 to 15 in its third year. With this fact alone, unless the purchaser enters the contract with a sufficiently large equity in his automobile, the heavier real depreciation which he must absorb during the early part of his contract will be greater than his monthly instalment. It is such conditions as these which can only lead to increased repossessions and resultant loss not only to the financial institution but also to all connected with the transaction—purchaser, dealer, and manufacturer alike.

Of course, we as grantors of instalment credit with a financial stake in each individual transaction will continually strive to keep our contracts on a sound financial basis. Fortunately, we are protected by the proven and demonstrated willingness of the great majority of our citizens to meet their individual obligations in accordance with agreed terms—but in times of economic stress, an instalment credit institution will not find much strength in those accounts wherein the purchaser does not have a bona fide equity.

Threat of Government Intervention and Control

Overshadowing this entire question of terms and credit policies lies the threat of government intervention and control. In this respect, our industry is somewhat in the position of being in between the devil and the deep blue sea. If in the judgment of those in authority the credit extension policies of the industry are felt to be too loose or there is building up total outstanding credit which might be considered dangerous in the economy, or in the event of an emergency, there is thought to be a need for so-called "indirect control" of production through the control of consumer credit, the government may well step in with regulation on terms and down-payments. On the other hand, should we as an industry be reluctant to provide all the credit which the consuming public is entitled to or which the manufacturers and dealers feel they must have to move their merchandise, we may very well see agitation for government lending or guaranties of consumer credit obligations. Instalment credit is such an essential part of the nation's economy, we must be wary of government control and intervention. I for one would very much dislike seeing our industry shackled with government controls on terms and rates or confronted with direct competition from government lending agencies. We certainly should be able to manage this rather complex and technical business far better than any group of government bureaucrats.

Points in Steering a Sound Course

It very definitely appears to me that our entire industry has arrived at a very crucial point today. The highest type of leadership is demanded of those who are managing the affairs of this industry in order to cope successfully with the pressures which have been brought to bear. Just what is it that can be done to successfully steer a sound course through this period? May I offer these suggestions:

(1) Remember that we are in this business to make a fair profit. This is nothing to be ashamed of. The incentive to make a fair profit is and should be the primary motivating force in the American system of business.

(2) Let us as an industry properly fulfill our responsibility of providing instalment credit to all qualified purchasers thereby maintaining the essential link between mass production and mass consumption of consumer goods, particularly the automobile in our case. To do this we must provide a sufficiently broad credit base so that the average purchaser can avail himself of our service. To this end, let us establish a rate structure which will handle this broad market and not gear our facilities only to that selected group who have a high personal credit standing. Let us use discretion and common sense in our advertisements to the consumer public. Let us not undermine the rate structure of the entire industry by unwarranted publicity on preferential rates for a restricted group of superior credit risks.

(3) Let us strive to continue to preserve the time-tested principles of sound credit extension. Let us insist that each individual purchaser has a true and bona fide equity in his purchase and that his schedule of payments will be such as to maintain that equity. Let us as an industry not be too easily stampeded into unwarranted relaxation of these vital credit terms through pressure exerted by manufacturers and dealers to sell their product or through competition exerted by credit agencies closely tied in with manufacturers whose primary interest lies in merchandising their product and obtaining a merchandising profit thereon.

(4) Let us honestly face the competition between individual grantors of instalment credit. Let us do it through providing a better service to our customers—let us do it by improving the efficiency of our own operations so that we can cut costs which can be passed on to the public—let us do it on a basis which will insure the continued soundness and integrity of this industry through preserving those credit policies and terms which have faced the test of time.

(5) This instalment credit business is different from the banking business—let us recognize these unique qualities and tread cautiously before setting a new pattern of operations. Remember this is a fast moving business which makes it mandatory for management to give it careful individual-detailed attention. Know your business—run it well.

In conclusion, let me emphasize the fact that the challenge which today we face together as an industry can be met only by the sincere and forthright efforts of each individual grantor to conduct the affairs of his own concern on a sound financial basis. Stop placing the blame on the other fellow for "forcing" you to buy paper not as you would like or know by experience that you should. Yes, I have heard it's the sales finance companies that are "throwing caution to the winds in their mad rush for business," making it impossible for the local bank and other credit grantors to compete on a sound basis. But let me assure you that I have also heard and been deluged with specific examples where the local bank is buying automobile paper at rates and on terms which to say the least are ridiculous. Let us recognize the fundamental sound principles of credit extension and abide by them in the conduct of our own business. If each of us does this, there can be no question but that the automobile instalment credit industry will continue to show the same degree of successful progress as in its past history and will continue to serve adequately the instalment credit needs of all the nation's consumers. There is nothing wrong with the automobile instalment finance business in this country that a little realism won't cure.

Induction Motors Stock Offered

C. E. Unterberg, Towbin Co., New York City, are offering 12,500 shares of Induction Motors Corp. common stock at a price of $6.75 per share. In addition 7,500 shares have been purchased for investment by American Research & Development Corp. of Boston, Mass.

Induction Motors Corp., with its plant and offices located in Westbury, Long Island, N. Y., is engaged in the design, development and manufacture of precision subfractional horsepower motors of servo, induction, synchronous and hysteresis types. These motors have a wide range of application. In the airborne instrument field they are used as actuators in electronic controls, automatic devices, fire control instruments and servo mechanisms, as well as in aircraft cameras and guided missiles. Induction Motors Corp. also supplies high quality motors for television cameras, disc and tape recording equipment, fascimile equipment, timing devices and many other uses where precision and quality are required.

Giving effect to the current financing, outstanding capitalization of the company will consist of 127,500 shares of common stock and 785 shares of preferred stock.

H. E. Moseley Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Heyward E. Moseley has opened offices in the Kittredge Building to engage in a securities business. He was formerly associated with J. W. Hicks & Co.

Kirk C. Dunbar Opens

(Special to THE FINANCIAL CHRONICLE)

SCOTTSDALE, Ariz.—Kirk C. Dunbar is engaging in a securities business from offices on East Lincoln Drive under the firm name of Kirk C. Dunbar & Company. Mr. Dunbar was formerly with Kenneth Ellis & Co. and William R. Staats & Co.

R. A. Gorrell Opens

(Special to THE FINANCIAL CHRONICLE)

ASHLAND, Ky.—R. A. Gorrell Corporation has been formed with offices on the Belefonte-Princess Road, to engage in a securities business. R. A. Gorrell is President.

Forms Morgan And Co.

SALT LAKE CITY, Utah—John H. Morgan, Jr., has formed Morgan and Co. with offices in the Philips Petroleum Building to engage in a securities business.

Casper Brokerage Officers

SALT LAKE CITY, Utah—Henry W. Stead has become president of the Casper Brokerage Company, Inc., of Casper, Wyoming and Salt Lake City. DeWayne C. Anderson is Vice-President; Israel Snyder, Treasurer; and Frank M. Turner, Secretary. Salt Lake City office is in the Continental Bank Building.

Continued from first page

As We See It

the then current situation really was, and later possibly registered in an exaggerated manner the true underlying conditions existing prior to and concurrent with the collapse of October, 1929.

Troubles Elsewhere

The real troubles in that fateful year lay elsewhere; any basic weaknesses in our situation today lie elsewhere. And there are facets of the current state of affairs which require careful watching — watching not by meddling politicians whose chief interest is votes but by leading businessmen and, so far as current difficulties are the result of foolish legislation and unfortunate public policy, by the statesmen among the political powers that be. These elements of weakness today, moreover, are not always wholly unlike those of the later 'Twenties which brought on both the depression commonly thought of as the 1929 depression and the stock market collapse of that year.

First of all there is the agricultural situation, which in its way is really a continuation of the rural state of affairs which emerged after World War I. Farmers have always been a politically favored element in the American scene. Various favors to them long antedate the outbreak of war in 1914. The Wilson regime had extended them prior to our entry into that conflict in 1917. When extraordinary need for foodstuffs and other products of the farms of the country arose as a result of the conduct of this world military struggle "inducements" were readily granted to farmers. They resulted in developments which were not consonant with normal peacetime years following the end of the war in 1918. Farmers of the country were soon in difficulties which had wide repercussions throughout the length and breadth of the economic system. Basically, the need was for a transfer of productive energies from agriculture, where production tended definitely toward unwanted surpluses, to other pursuits where demand was not so nearly sated.

The solution of such a problem—the undoing of the mischief war and mistaken public policies had wrought —was not and is not easy. It could hardly be painless. In any event no effort was made to find and apply any real solution. It was definitely not "good politics." Palliatives were preferred which at times relieved the outward symptions but which often tended to make the underlying conditions worse instead of better. When the New Deal came into power it greatly accelerated the pace of this economic folly. The Eisenhower Administration has at times appeared to recognize the hazards of such a situation at least in some part. It has, however, at most done no more than halt for the time being a monstrous growth in this malignant tumor which still plagues the economy of this country.

That Farm Problem

This agricultural problem is still with us. It will not be removed or even ameliorated by a further application of a hair of the dog that did the biting as is now being suggested in some quarters. To add several billions to the subsidies now being paid to our farmers to produce various things far in excess of any quantity which can be disposed of at prices that cover costs would be, of course, merely to continue and to aggravate the conditions complained of. It could do no more at most than to postpone the evil day when a real solution would have to be found and applied. Let those who are inclined to grow too expansive in their thought of boom times to come bear such facts as these in mind.

Another situation which had got badly out of hand in the late 'Twenties was found in real estate. The state of affairs now existing in that field is in some respects quite different from that which had so much to do with our post-1929 difficulties. It is nonetheless a situation to be concerned about. What we have now is a vast boom in the construction of individual dwellings on very liberal credit. It appears certain that the degree in which these mortgages have been "monetized" was not dreamed of in the earlier period. What is possibly even more disturbing is the fact that, thanks to encouragement from Washington, the rate at which these liens are being written and going into the commercial banks is abating not one whit.

Still another facet of the current situation requires attention. That is the extent to which consumers are acquiring goods by means of what has come to be known as consumer credit. All sorts of "durables," automobiles, television sets, electrical appliances of many varieties, home modernization and the like, and many other items of consumption are now being acquired in record quantities with small down payments and on terms that run up to 42 months and even in some instances to four years if what appear to be trustworthy current reports are to be accepted. What is more, compared with 1929, this type of paper is being very extensively "monetized" either directly or indirectly. We do not mean to condemn consumer credit when kept within reasonable limits. It appears to be part and parcel of a revolution in banking ideas and banking concepts which has been under way in this country for several decades. Maybe it is sound; maybe it is not. Certainly reason should rule even in this area.

Yes, there are real problems confronting us, and we should be foolish to permit the development of any boom or boomlet to divert our attention.

Allen & Co. Offers Cuban 4% Bonds

Allen & Co., New York, on March 29 offered $2,500,000 of Republic of Cuba Veterans, Courts and Public Works Bonds, 4%, due 1983 (payable in U. S. dollars) at 98% and accrued interest.

The bonds offered are presently outstanding and offered on behalf of Romenpower Electra Construction Co. which received the bonds from the Republic of Cuba or one or more of its agencies in payment for construction work, chiefly on highways and streets in or near Havana.

The bonds are general obligations of the Republic of Cuba and, in addition, are secured by the pledge of certain funds, imposts and revenues.

Continued from first page

Our Investment Stake In Latin America

and $20 million to invest and were giving Latin America serious consideration.

I fully appreciate that the investment banking community might look with caution and even skepticism at any new proposal, but I will try to present facts and conclusions that will interest even the doubting Thomases.

Magnitude of Our Stake in Latin America

First, let me take a moment to get into focus the magnitude of our economic stake in Latin America, which, since at least 1897, has been the most important area for United States direct private foreign investment. At the end of 1953 such investment abroad stood at $16.3 billion, of which $6 billion was located in Latin America.

When people think of United States companies operating in Latin America, they usually think first of mining companies in Chile and Peru, or oil companies in Venezuela, fruit companies in Central America, or sugar companies in Cuba.

This picture of Latin America is certainly understandable. Traditionally, Latin America has been our leading supplier of raw materials and foodstuffs. The importance of this fact is clearly brought out when you consider that during World War II Latin America supplied 75% of the crude foodstuffs and 40% of the raw materials and semi-manufactured goods which our country imported. In addition, approximately 30 of the 77 items on our stockpile list of strategic materials are imported from this area.

However, the Latin American people will not be satisfied with a raw material economy, nor with its corollary, a one-crop economy. They want to produce goods which will raise their standards of living. More and more of them want better homes to live in, better clothes to wear, better food to eat, better medicine for their children and families.

It is this great and powerful drive—it is these aspirations—on the part of the Latin American people for a better life which gives their countries the very dynamic quality which they have today.

I believe almost every visitor who goes down to Latin America comes back with a vivid awareness of this drive.

It was true of Senator Capehart and his mission.

It was true of Dr. Milton Eisenhower.

It was true of Vice-President Nixon.

On the business front—a year ago we took 35 leading U. S. financiers on a visit to four Latin American nations. These men represented U. S. institutions with total assets of over $40 billion. They, too, came back with exactly the same impression and some of them have put their their thoughts into investment action.

Recently one of these financiers remarked to me that the rising Latin American standard of living and the accelerated pace of its industrialization—which he saw on the trip — reminded him of looking at a speeded-up, fast-motion picture of the last 100 years of our own development in North America.

Of course, a major indicator of an area's vitality is its birth rate. I believe you all know that Latin America's population increase of about 2½% a year is greater than that of any other major area of the world. In the United States the increase is only about 1½%. It has been estimated that, should present rates continue, the population of Latin America may be twice that of the United States and Canada together by the turn of the century — more than 500 million people.

The combination of this tremendous demand for self-improvement and an exploding population provides a ready-made market. It is this condition that prompted a leading U. S. businessman to state the other day that one thing an investor in a new business in Latin America did not have to worry about was a constantly growing market for his goods. The market is there—ready for him and growing continuously.

Per capita consumption in Latin America increased 26% from 1945 to 1953. It has been projected to increase by almost 50% from the present level by the mid-1970s.

The Major Latin-American Markets

The major markets in Latin America are in the cities and the cities are growing almost twice as rapidly as the total population. For example, between 1940 and 1950 the population of 23 of the largest cities in Latin America rose 45% compared to 25% for the entire area.

This increasing urbanization coupled with rising living standards is leading towards the emergence of a middle class in the cities of Latin America.

There are tourists who come back from Latin America with the observation that there is no middle class—that there are only the very rich and the very poor. Gentlemen, every day this statement becomes less valid.

Apartment houses and suburban developments, heretofore unknown, are now the coming thing in Latin American cities. A greater market is developing for washing machines, radios, television sets, refrigerators, and dish washers. In addition—and this is a very important point to bear in mind—the development of a middle class is bound to produce greater economic and political stability which in turn strengthens the basis for investments.

For instance, when Sears, Roebuck started looking at estimates of effective buying power in Mexico City, the first of seven cities in Mexico in which Sears now has stores, some people thought that potential customers would be limited to the upper 5 or 10% of the city's population. Actually, the customers that Sears has developed now represent a fair cross section of at least the upper 50% of the economic groups of Mexico City, and the penetration of Sears' sales throughout all income levels can be gauged by the fact that more than one-third are made on credit.

When Sears entered Mexico, it discovered that one of its principal problems was to teach many small suppliers the requirements of doing a real production job. The success of its efforts is brought out by the fact that Sears now works with over 1,300 Mexican suppliers ranging in size from a two-man craft shop to a modern factory employing more than 1,000 people.

Whereas Sears originally estimated that it would import about 70% of its merchandise from the United States, it now is able to buy in Mexico 80% of what it sells there, most of which conforms to U. S. styles and standards.

Typical of what a great company like Sears has been able to do in Latin America is the case of Acros, a Mexican firm making stoves and hot water heaters. Since coming to Mexico, Sears has worked very closely with Acros. As a result of this close teamwork, Acros has grown from a 40-man concern to an expanded and still expanding firm employing 400 men.

In Brazil, Cuba, Venezuela, and Colombia, Sears has encountered many of the same conditions, and met them just as successfully, as it did in Mexico. I know the same will be true of its new store in Lima, Peru, scheduled to open this fall.

As most of you know, one of the secrets of General Wood's amazing marketing success has been his attention to population movements and birth rates and his confidence in Latin America is, therefore, most significant.

The "Casa Grace"

I feel, of course, somewhat inhibited in this talk in mentioning our own company. However, I do feel that, having paid tribute to the contributions of Sears in the Latin American field, I might be permitted to quote briefly on one phase of our operations from the National Planning Association's report, published just last fall, on "Casa Grace in Peru."

"Casa Grace's contribution to expanded Peruvian markets for textiles has been a long series of 'firsts' through the introduction of new textures, finishes, designs, and colors. It was the first in Peru to make bleached and finished cotton goods before World War I; pure indigo-dyed denim in 1927; printed cottons in 1936; mercerized cloth in 1942; combed cottons in 1947; spun rayon and other synthetic textiles and their printing by the silk screen process in 1948; and Everglaze cottons and its own roller engraving plant in early 1954."

For those of you interested in an objective analysis of our policies, our philosophy, and the growth of our business in Peru, all of which are typical of our affairs in other Latin American countries, I refer you to this NPA report.

Our company is evidence of the fact that the Latin American market is growing continuously. One example is our own paint business. Just before the war, we had only one paint plant in operation in South America. Since the war, however, we have found the market for quality paint so greatly expanded that today we are in the paint business in an important way in Chile, Peru, Colombia, and Argentina.

The Latin Americans essentially are very much like ourselves. Once one man paints his house, his neighbor's wife wants her husband to paint his. In business, if one storekeeper paints his store and makes it more attractive looking, his competitor down the street will soon do likewise.

In Peru, we have had a similar experience in our paper business. In the late 1930s, we developed what has become known as the Grace process for making paper out of bagasse, or waste sugar cane fibre. Prior to this, Peru had to import all its paper requirements but the starting of a local paper industry, capable of making all types of paper from wrapping paper, kraft paper, and cardboard to specialty papers, has changed the retailing, merchandising, and packaging habits of the country. We developed the initial use in the country of corrugated boxes which previously had been unknown. We replaced cotton bags with multiwall bags in the bagging of cement, sugar, and many other products. We made the country paper and package conscious with the result that, from an initial capacity of 3,000 tons, we have expanded the capacity of our paper plant to over 20,000 tons and before the year is out it will reach 30,000 tons.

Recent Economic Growth

Getting back to our general topic, an interesting comparison showing the dynamic nature of the Latin American scene is between the recent growth of Sao Paulo and Chicago—two leading industrial and transportation centers.

Between 1940 and 1953 the population of Sao Paulo increased 97%. Chicago's population increased 12%.

In the same period, the number of airplane passengers passing through Sao Paulo increased 22 times compared to 11 times for Chicago.

Also, the number of telephones in use in Sao Paulo increased by 270% compared to 56% in Chicago.

This amazing growth is not limited to Sao Paulo.

Telephones in use for Latin America as a whole more than doubled from 1940 to 1954 as did automobiles.

Truck and bus registrations tripled and the number of tractors on farms rose five times.

In the postwar period, Latin America's gross product — measured in constant prices—has increased from $27.3 billion to $41.6 billion, or by 52%. In this same period, the United States' gross product increased from $263 billion to $307 billion, also measured in constant prices, or by 17%. Thus, it may be seen that Latin America's productivity in the postwar period is growing at a faster rate than that of the United States.

Whereas today Latin America's gross product amounts to a little over $40 billion, by 1975 it is estimated to increase to $100 billion—almost 2½ times the present level.

The Paley Report estimates that the U. S. gross product will only double in this same period.

This progress can be grasped more readily by the following examples:

U. S. cement production went from 24 million tons in 1939 to 47 million tons in 1952—an increase of 96%.

In the same period, cement production in Venezuela increased from 43,000 tons to 941,000 tons; in Colombia, from 180,000 tons to 784,000 tons, increases of 2088% and 336%, respectively.

Crude steel production in the U. S. between 1939 and 1952 increased from 54 million tons to 95 million tons, or by 76%.

At the same time, crude steel production in Brazil rose from 128,000 tons to 1,000,000 tons, or by 681%.

Electrical energy production in the U. S. during this same period increased from 146 billion kilowatt hours to 464 billion kilowatt hours, or by 218%.

In Colombia, electrical energy production increased 353% from 186 million kilowatt hours to 842 million kilowatt hours.

I hesitate to talk again about our own company but it is hard for me to discuss Latin America without mentioning our own experience. With the end of World War II, we naturally were anxious to push the development of our industrial businesses in this area. At that time we produced textiles, paper, paint, cement, flour, vegetable oil, and other basic items.

However, it was clear then that the highest rates of return were going to be made in the more specialized and complex manufacturing operations, just as is the case in the United States.

Thus, if our company was going to continue its role of leadership, we saw that we would have to develop research and engineering know-how comparable to that required in this country.

Moreover, in many of our Latin American industries we have important local partners. They have looked to us—as their North American associates—for continuing contributions of highly specialized know-how.

We decided, therefore, to obtain an important stake in a highly technical field in the United States. We chose the chemical industry as this field was closest to our own industries — textiles, paper, paint, sugar, food products —which, in turn, are chemical process industries.

As a result of this decision, in the last few years we have placed $130 million in the U. S. chemical industry and our annual research expenditures amount to over $3 million a year.

With the new research and specialized knowledge acquired, we have greatly strengthened our position for future progress in our Latin American industries. Not only can we now accelerate the development of our already established activities, but we are also in a better position to broaden our participation in the expanding chemical industry in Latin America. An example of this is our new chemical project in Brazil, a joint venture with the leading German chemical company, Farbwerke Hoechst, which will manufacture DDT, monochlorobenzene, caustic soda, chlorine, solvents, and textile auxiliaries. The total investment of this project is in excess of $6 million.

I bring this out because it has occurred to me that some of you may be wondering if there is any inconsistency between my enthusiasm for investment in Latin America and the heavy investment W. R. Grace & Co. has recently been making in the United States chemical industry.

I think you will see from what I have told you that we have the greatest faith in Latin America. Since the end of World War II we have invested between $25 and $30 million there, including commitments and investments in two countries in which we have not previously been identified industrially. These are Brazil and Argentina, in both of which countries we have tremendous faith.

In addition, we have now on the drawing board industrial projects in Latin America which will add another $15 to $20 million to our stake in that area within the next three years.

Thus we have actually stepped up our pace of investment in Latin America while moving into the field of U. S. chemicals in a manner which we frankly hope will develop into a hemispheric chemical operation.

Still a Long Way to Go

Although Latin America has made tremendous strides in the postwar period, it has a long way to go.

The status of Latin America's development today is roughly parallel to the United States 50 years ago.

This country's expansion was greatly stimulated by European bankers whose foresightedness and courage supplied a large portion of the capital that helped develop the United States.

Frankly, I think that you investment bankers have a tremendous opportunity to get in on the ground floor of this new era of expansion in Latin America and do a real pioneering job. When you consider the fact that investment banking as we know it here is practically nonexistent in Latin America, you can see that the door is wide open.

Of course, in any discussion of foreign investments, the question of what rate of return the United States investor can expect inevitably arises. There is no pat answer to this question as it depends to large extent upon the type of investment and the wisdom with which it is made.

However, we all know that a U. S. investor is not going to place his capital in a foreign country unless he can reasonably expect a higher rate of return than that obtainable at home. Such a situation is not new. Capital has always sought the areas of highest return. This reflects the age-old economic law that those countries with a large demand for new capital—but a limited supply of their own—offer a higher return than countries rich in capital such as the United States today.

That this condition exists clearly shows up in the price one has to pay for commercial bank credit in Latin America.

Latin-American Interest Rates

Present rates of interest for commercial bank borrowing in certain countries are:

Brazil	9-12%
Peru	9-10
Venezuela	8-10
Mexico	9½
Uruguay	8½-9½

Compared to the present prime commercial bank rate of 3% in the United States, you can see that credit is from about three to four times as expensive in Latin America.

The businessman in Latin America is able to pay such high interest charges on bank borrowings for the simple reason that business is much more profitable in Latin America than in the United States. High profit margins are the natural outcome of a growing demand for goods, reflecting the rising standard of living. Only in highly developed industrial nations, where capital has been accumulated over a considerable period of time, and where well organized capital markets exist, are profit margins low and still decreasing.

The fact that several times during the last few years profit margins in this country were high, due to the inflated demand for goods generated by war scares, has not changed the basic long-term trend of a declining return on capital in the United States. The average return for all industries on net worth has already declined in the United States from 13.4% to 10.5% between 1950 and 1953, and in Canada from 14% to 9.8% in the same period. Preliminary figures which I have seen indicate that the rate of return in the United States in 1954 might drop to below 10%. As you know, many of the older and more mature industries have even lower profit margins than these averages would indicate.

These same conditions do not exist in Latin America, as many industries there are still in their infancy. Although the Western World has the ability to produce increasing amounts of goods, keener competitive conditions are developing in the world markets. In view of this situation, I expect profit margins in the more industrialized countries to shrink still further, while profit margins in Latin America should be well maintained in view of its rapidly expanding markets. Herein, Gentlemen, lies the future of investing in Latin America!

Today in Latin America there are many signs of an improving investment climate. Our government is taking an increasing interest in the economic well-being of this area—and for good practical reasons.

Just recently, Peru and Costa Rica have joined our country's investment guaranty program. Cuba is negotiating a tax treaty with the United States. Brazil and Argentina are easing their laws with regard to foreign investment.

I have enlarged, many of you perhaps will say with undue enthusiasm, on the opportunities for investment in Latin American countries. I *am* enthusiastic about them, but I am not at all unmindful of the arguments against investing in those countries. The usual objections which one hears are:

(1) Risk of inconvertibility of currency.

(2) The danger of expropriation of foreign assets.

(3) Disturbed political conditions over which the investor has no control.

Now in the first place, I believe that any prospective investor in Latin America should carefully analyze conditions in the country or countries in which he proposes to invest.

In the second place, he should become associated with expert managers with experience in that field.

In the third place, he should consider his investment as a permanent one, which he would build up with plowed-back profits and to which he would apply long-range management and development policies, just as he would in the case of a domestic enterprise.

Bearing these precepts in mind, I don't think he has much to fear. There are countries in Latin America which have no exchange controls and which are operating under a full and free economy. There will be periods, as there are now and as there have been in the past, when earnings and reserves in some countries cannot be remitted.

There is no reason to consider that such conditions are permanent, or even more than transitory, and the return on investment can and should more than offset the transitory inability to remit earnings. In the meantime the accumulated currency earnings can be plowed back into the business.

With respect to expropriation, I feel that this "bugaboo" is a ghost that should be laid and all I shall say on the subject is this —our firm has been doing business in South America for more than 100 years and over all that period we have never lost a dollar of our money nor a square foot of our land through expropriation.

With respect to the third objection to Latin American investment, that is, disturbed political conditions, it would be foolish for me to say that the political history of all the Latin American countries reflects political stability in any degree comparable with that which we have known in this country. Again, however, I must call on the experience of our firm as authority for the statement that changing political conditions in any of the Latin American countries—unless they go completely Red—can be lived with by unswerving loyalty to a few simple principles:

(a) Stay out of local politics—this doesn't mean stay partially out—it means STAY OUT. If you do this, you will be able to get along with whatever government is in power.

(b) Employ as the managers of your business able and outstanding nationals wherever this is practical and feasible, and keep them out of politics, too.

(c) Have your management, and particularly the Americans in your management, closely identify themselves with local community life and become part of the countries in which they live.

You know, during most Latin American revolutions, the traffic cop still directs traffic, the postman still delivers mail and life goes on pretty much as usual as far as the foreigner and the foreign investor is concerned.

By rigid observation of these principles, our company's experience in Latin America has been highly successful and we have been able to grow with the expanding economy of this area.

Since 1940, we have doubled our production of textiles, compared to only a 47% increase in textile production in the United States.

We have increased our paper production 8½ times, compared to only 1.8 times for the United States.

Our paint production has increased 11½ times, compared to only 64% increase for the U. S.

In a century of operation, we have built enterprises which have brought great benefits not only to our stockholders but, we like to believe, to the Latin American countries in which we operate as well.

We hope to see many other enterprises created in Latin America with local and United States capital working in friendly cooperation. The philosophy of this cooperation was brilliantly summed up by President Eisenhower in his opening message to the New Orleans Investment Conference when he said:

". . . behind all private plans and projects, behind Government help, behind a New Orleans Conference or a Rio Conference, behind the words, the dollars, and the blueprints—there must exist the essential ingredient of faith—North American faith in Latin America, and Latin American faith in North America.

"And if today I had to choose only one thought to leave with you, it is the thought of our North American faith in the future of Latin America—economically, culturally, politically and spiritually."

If the company which I represent stands for anything in the field of Latin American investment, it is that word "faith." Our growth has been built on faith in Latin America.

Household Finance Debentures Placed

The Household Finance Corp. has placed privately $25,000,000 (Canadian) 4¼% sinking fund debentures due 1975, with a number of leading United States and Canadian institutional purchasers.

The proceeds will be used by Household Finance Corp. to refund parent company and subsidiary short term borrowings in both the United States and Canada and to provide additional working capital.

Lee Higginson Corp. and A. E. Ames Co., Ltd. acted as agents in negotiating the placement.

With Investors Planning

PITTSBURGH, Pa.—William J. Donovan, Jr., Cyril J. Ivory, Paul Lonergan and John D. Mathewson, Jr. are now affiliated with Investors Planning Corporation of Pennsylvania, 417 Grant Street.

M. H. Bishop & Co. Wire to Jos. McManus

M. H. Bishop & Co., Northwestern Bank Building have a direct wire to Joseph McManus & Co. in New York City.

Two With A. B. Hogan

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—John H. Grobaty, Jr. and Richard D. Harris have become connected with Arthur B. Hogan, Inc., 4757 Hollywood Boulevard, members of the Los Angeles Stock Exchange.

Joins Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Raymond W. Standow has become connected with Hall & Hall, Bank of America Building.

Best Inv. Co. Formed

FRESNO, Calif.—Best Investment Company is engaging in a securities business from offices at 1577 Palm Avenue. Zadig Zadigian is a principal of the firm.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

In analyzing bank stocks on a comparative basis data taken by itself may reveal little. For example, it is not of much consequence or help if we show that in 1954 Bankers Trust reported operating earnings of $4.57, compared with those of Chase of $4.21; or that the respective book values at Dec. 31, 1954 were $61.64 and $53.69. And even relating earnings to the stocks' market prices gives only one facet that is helpful. There are other factors to be compared if a reasonably thorough comparative analysis is to be made. This, then, is an attempt to bring in the tangible components.

Several of the banks in this study will probably be merged shortly with others (Manhattan, First National, Public), but they are included here for their contribution to the analysis.

Using approximately present prices of the various stocks, there has first been made a calculation of the number of shares of each stock that a $1,000 investment will give. This list follows:

	Shares		Shares
Bankers Trust	16.36	*Hanover Bank	19.14
Bank of Manhattan	20.73	Irving Trust	32.13
*Bank of New York	4.08	Manufacturers Trust	11.92
Chase National	16.58	J. P. Morgan & Co.	3.46
Chemical Corn Exchange	19.51	National City	16.00
First National	1.82	*New York Trust	13.79
Guaranty Trust	12.62	Public National	14.76

*Adjusted for recent two-for-one splits.

These respective amounts of stock are then applied to the 1954 operating earnings, to the 1954 year-end book values and invested assets; and this is followed by these ratios: Price: Earnings; Rate of Earnings on Book Value; Dividend Pay-Out; Rate of Earnings on Invested Assets; Invested Assets per Dollar of Market Price.

		—Dec. 31, 1954—			—1954—		12-31-54	
	1954 Earnings	Book Value	Invest. Assets	Price-Earns. Ratio	Rate Earn. on Book Value	Invest. Assets	Invest. Assets per $ of Price	Div. Payout Ratio
Bankers Trust	$74.77	$1,009	$9,047	14.4	7.4%	0.83%	$8.37	53%
Bank of Manhattan	60.12	733	9,225	17.8	8.2	0.65	8.59	66
Bank of New York	67.81	982	9,576	13.2	6.9	0.71	10.60	54
Chase National	69.80	890	9,948	14.5	7.8	0.70	9.83	52
Chemical Corn	68.09	859	10,165	15.1	7.9	0.67	9.84	57
First National	43.92	869	3,465	18.2	5.1	1.27	4.40	95
Guaranty Trust	54.27	1,011	6,398	17.6	5.4	0.85	6.67	86
Hanover Bank	71.68	1,068	9,551	14.4	6.7	0.75	9.25	53
Irving Trust	57.83	798	7,679	16.8	7.2	0.75	7.91	72
Manufacturers Tr.	69.99	895	10,227	13.8	7.8	0.69	10.56	54
J. P. Morgan & Co.	55.39	823	7,456	17.0	6.7	0.74	7.92	62
National City	54.08	936	8,128	17.4	5.8	0.66	8.62	71
New York Trust	64.54	879	7,102	15.0	7.3	0.91	7.36	64
Public National	53.45	743	7,188	16.2	7.2	0.74	8.29	62

	1954 Earns.	12/31/54 Book Value	12/31/54 Invest. Assets	12/31/54 Price Earns. Ratio	1954 Rate Earned on Book	1954 Rate Earn. on Invest. Assets	12/31/54 Invest. Assets Per $ of Price	Dividend Payout Ratio	Score
Bankers Trust	1	3	7	3	4	4	8	2	32
Bk. of Manhattan	8	13	6	12	1	11	7	7	65
Bk. of New York	6	4	4	1	7	6	1	3	32
Chase National	4	7	3	4	3	7	4	1	33
Chemical Corn	5	10	2	6	2	9	3	4	41
First National	14	9	14	13	11	1	14	11	87
Guaranty Trust	11	2	13	11	10	3	13	10	73
Hanover Bank	2	1	5	3	8	4	5	2	30
Irving Trust	9	12	9	8	6	4	11	9	68
Manufacturers Tr.	3	6	1	2	3	8	2	3	28
J. P. Morgan & Co.	10	11	10	9	8	5	10	5	72
National City	12	5	8	10	9	10	6	8	68
New York Trust	7	8	12	5	5	2	12	6	57
Public National	13	14	11	7	6	5	9	5	70

It is apparent in this comparison that Manufacturers Trust has more low ratings than any of the other stocks, with Hanover, Bankers and Bank of New York as runners-up. First National's position at the opposite end of the reckoning has been influenced by the rise in the price of the stock since the announcement that National City will pay off the First shareholder at the rate of $550 a share. Nevertheless, at the price prevailing just before the National City announcement, First National's position would be unchanged. The stock has for some time shown a relatively high ratio of price to earnings, a low earnings rate on book value, and a very high dividend pay-out ratio. It does, however, have a high rate of earnings on invested assets, a reflection of its strong capital-funds position.

With J. B. Hanauer Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Edward Nickel has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George W. Gregory has become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Continued from page 9

From Boom to Doom?

on loans on securities which are not for the purpose of buying or carrying securities. A bank will lend up to 75% and perhaps more —in contrast to the 40% limit on purpose loans.

One other change ought to be made. Regulation U applies only to securities traded on registered stock exchanges. A bank can lend 75% or more if it wants to on over-the-counter stocks. Here is a grave defect. Usually, stocks traded on registered exchanges have much more active markets than over-the-counter securities. Yet we permit banks to lend less on them than on securities which are much less liquid.

I'd also suggest that bank examiners make spot checks of loans — to see if borrowers are diverting business credit into speculative channels. Such checks would make banks more wary.

I'd like to suggest also that Congress pass legislation requiring companies whose stocks are traded over-the-counter to obey the same disclosure rules as companies whose stocks are listed on registered exchanges. This is a protection needed by investors. It doesn't make sense to permit some corporations to avoid (1) registering with the Securities & Exchange Commission, (2) making reports, (3) conforming to SEC proxy regulations—just because their stocks are unlisted. Nor should their officers, as they are now, be exempt from the insider-trading rule.

If such companies were required to obey the rules of listed companies, then they would probably list their stocks on an exchange. Their stockholders would have the benefit of real rather than "assembled" quotations for their securities.

Now to another subject. Keith Funston, President of the New York Stock Exchange attributed the rise in stock prices—in part, at least—to the shortage of stocks. He said that many investors were "locked in" with large profits. They wouldn't sell because of capital gains taxes. He suggested that capital gains taxes be halved. He surmised that that would loosen the supply.

I think this shortage will be self-corrective. I think that in 1955 and 1956—as has been testified—there will be plenty of stock coming to market. General Motors, as has already been noted, just floated $300,000,000 of stock. That augments the supply of G. M. shares. It sops up some of this anxious stock-market money. In November, the Dorrance estate sold $50,000,000 of Campbell Soup Co. stock. This was the first public sale of Campbell stock. The Ford Foundation is expected to dispose of some of its shares of Ford Motor Co. stock.

Stocks have reached a point at which it pays a corporation, or dominant holder, to sell. A year or two ago, Benjamin Fairless, of U. S. Steel, commented that steel shares were selling well below the real worth of the assets behind them. Only recently, U. S. Steel common climbed above its book value. At that price, the corporation could float common stock to raise capital without diluting the equity of existing shareholders.

Potential Sources of Stock Supply

Banks also complained that they couldn't afford to sell stock because the market value was below the book value. In October, National City Bank sold $131,-250,000 of stock to its shareholders.

Executives, themselves, are likely to become a source of supply of stocks. Corporations in recent years have been solicitous of their executives. They've granted stock options rather freely. U. S. Steel, for instance has optioned 770,000 shares to executives at prices of $37 and $41 a share. Recently, 19 of these executives took up options on 45,000 shares. So, along about June or July, these executives will be able to sell and get the benefit of the 25% capital gains tax instead of the regular income taxes. They might be willing to cash in some of these shares to diversify their investments, so as not to have all their eggs—their jobs and their assets — in U. S. Steel's basket. And the same applies to executives in such companies as Columbia Broadcasting, General Electric, Douglas Aircraft, C. I. T. Financial, American Machine and Foundry, Monsanto Chemical, Continental Can, R. C. A., Standard Brands, Crown Zellerbach, Westinghouse Electric, Jones & Laughlin Steel.

All have stock option plans. All these plans have a single purpose to make it possible for executives to acquire a comfortable nest-egg. When prices are right, these stocks will be cashed—distributed. Each advance in the market tends to assure new sales of stock — from the companies, themselves, to raise capital, and from the executives with options. We may be in such a distribution phase now.

I want to comment on a common impression in Wall Street. That is that activity in the stock market is synonymous with stability. It most decisively is not. Naturally, brokers like activity. It's their bread and butter. But it isn't necessarily good for society. For that reason, I would be interested in reducing stock market transactions that depend on margin buying. I see no reason why persons should be able to borrow on securities without a repayment date.

We talk of stock market loans as demand loans. Actually, they're semi-permanent loans, payable at the borrower's option. When the borrower gets tired of holding a stock, he sells—at a profit or loss—and retires the debt.

Activity and Instability

If the market should happen to decline, then the lender may ask for more collateral of a reduction in the loan. That puts pressure on the market at a time when it can least sustain pressure. It generates forced selling. Activity then is synonymous with instability — on the downside.

Loans on securities should be amortized — made repayable at a stated time. The borrower should be required to set up a schedule of payments which is feasible. Repayment should not depend on the sale of stocks. That would make the stock market a true capital market. Of course, you could not prevent a stock purchaser from borrowing and then selling to pay off his debt. But lenders would quickly get wise to that type of operation. And proper regulations by the Federal Reserve could put a stop to it. I'd exempt from this rule investment dealers, brokers, professional traders, and speculators, who make their living in the securities markets. To them, loans on stocks would be like inventory loans to a business.

I would also change the capital gains tax. This tax, as presently constituted, is really a transaction tax. By holding a stock for six months or more, the taxpayer pays a maximum of 25% on his profit.

Holding a security for six months doesn't constitute a long-term, a capital, commitment. A person doesn't buy a home every six months, or purchase a new factory every six months. Those are transactions that we consider capital transactions. I'd be in favor of raising the rate of tax on short-term transactions. To professionals, profits in stocks represent income. Even to persons who go in for occasional trading, such profits are income — trips to Bermuda, or a new car, or a diamond necklace.

I'd eliminate the tax entirely on true capital gains — on sales of securities held three years. When a man has held a stock that long, he has really invested in a company. But when he holds for only six months—and flits from stock to stock—he's trading. Our present law extends such traders a special benefit under the guise of selling or transferring capital.

* * *

I have touched on only a few phases of this complex subject. The committee may have some questions. If so, I'd better say unequivocally that I don't know all the answers. But I will be responsive.

BACKGROUND FOR CHARTS

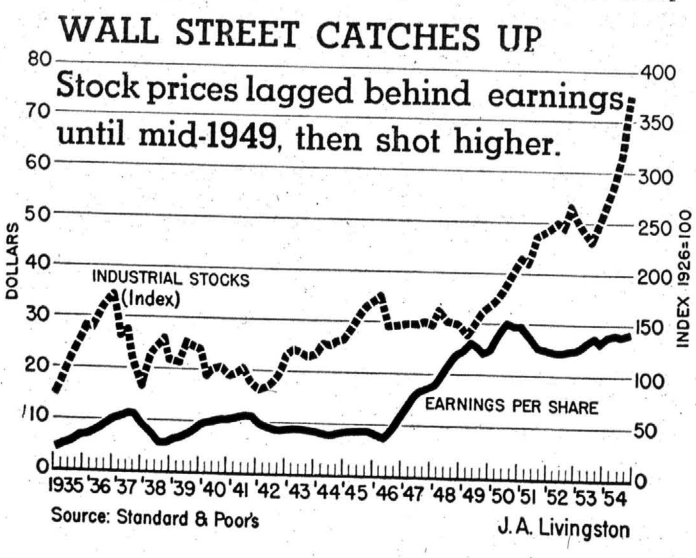
These charts help to explain the course of the stock market since the depression. From the 1932-33 lows, stocks advanced with industrial activity and earnings.

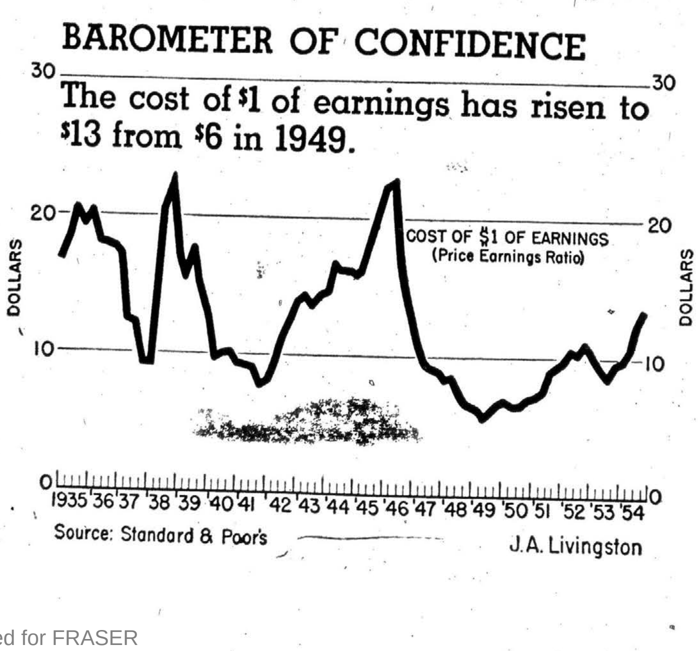
Then came the 1937 industrial decline and rumblings of war. When Hitler's German troops began overrunning Europe, stocks dropped sharply. Note the break in June, 1940, when France fell.

Here was a threat to American capitalism. If Hitler won, we might have to fight totalitarianism with totalitarianism. Private capital—commmon stocks—would be endangered. Then in 1942, Wall Street took heart—Hitler's troops weren't advancing. U. S. factories were beginning to roll out munitions, following the shock of Pearl Harbor. Stocks began to rise. The British victory at El Alamein in November of that year was a major turning point in both the war and the stock market. Shortly after the end of the war, prices approached the levels of 1937.

Then came a halt, even though earnings per share quadrupled between 1946 and 1950. Why? Because of fear of a postwar setback. But when the collapse didn't come, when the 1949 recession proved mild, stocks began to rise. Earnings became more highly prized.

When industry weathered the recession of 1953-54, confidence in earnings—in stability—rose anew. The market price of shares increased. In early 1949, one dollar of earning power sold for less than $6; today, one dollar of earning power sells for $13.





Continued from page 14

Depression in the Textile Industry and the Way Out

areas in the continental United States which are designated "areas of very substantial labor surplus" by the Bureau of Employment Security, are textile areas. In addition, four smaller textile areas are classified in this category (having 12% or more of the labor force unemployed). There are also 20 textile areas (including seven major communities) in the "substantial labor surplus" classification, i. e., with more than six but less than 12% of the labor force unemployed. (See Table II.) These communities have not prepared for this situation with new industrial developments. The people have a life-time investment of skills in the textile industry.

The concentration of textile manufacturing in the states along the Atlantic seaboard makes these areas peculiarly dependent upon the industry. The proportion of total manufacturing employment accounted for by the textile industry is in excess of 50% in North and South Carolina and more than 25% in Rhode Island and Georgia. In addition, substantial proportions of the factory employment in New Hampshire, Maine, Massachusetts, Vermont, Connecticut, Pennsylvania, New Jersey, Virginia, Alabama and Tennessee are provided by the textile industry.

The inability of these communities to get out of this chronic state is attested by the fact that they have remained distressed for long periods of time. We have kept records of such communities as those in Massachusetts and find that Lowell had an unemployment rate of 6.16% in February 1951 and in September 1954, 10.2%; Lawrence had an unemployment rate of 10.8% in February 1951 and its September 1954 rate is 23.5%. In New Bedford the rate has risen from 2.9% to 12.0%; and in Fall River from 3.6% to 12.3%.

What this actually means is suggested by the fact that 5,200 people were unemployed in Lowell with only 3,613 being paid unemployment benefits; 12,-100 were unemployed in Lawrence with only 6,070 receiving unemployment benefits; New Bedford with 8,350 unemployed had only 6,152 receiving benefits; Fall River with 7,200 unemployed had 6,189 unemployment insurance beneficiaries.

Nor do these figures fully illustrate the problem since many older persons, and particularly older women, have been cancelled out of the labor market because their age prevents them from finding jobs and they are no longer considered eligible for employment in the vast pools of unemployed living in these areas.

The effects of such hidden unemployment is most depressing since they shift the burden of support to the relatives and families and thereby weigh heavily upon them with unfortunate consequences on their standard of living and the children's opportunities.

The shrinkage in employment has been produced by two major factors. First has been the mill closings and the other is the impressive rise in man-hour productivity within the industry. The mill closings, of course, have practically completely shut out new employment opportunities for the affected person. A survey of textile mill closings reveals that during the period from 1946 through 1954, 640 eastern plants were closed employing 168,000 persons in the major textile divisions (exclusive of very small plants). The distribution was as shown in Table III.

Many of these plants are located in isolated communities where no other opportunities exist. This is reflected in the fact that for the year ending June 30, 1954, almost 100,000 New England workers, unable to find jobs during the period covered by unemployment compensation, exhausted their insurance benefits.

It is also apparent that a large proportion of those found in the unemployment survey as having been unemployed in excess of 26 weeks, who in December 1954 numbered 376,000 persons, included many textile workers.

The difficulties which older textile workers encounter in securing new employment has been told in many places. We have made a survey of the liquidation of the Oaks Mill in Bloomfield, New Jersey and the liquidation of the Esmond Mill in Esmond, Rhode Island. The staff of the

Committee of New England of the National Planning Association made studies of the post-liquidation experience of employees of two New Hampshire woolen and worsted mills. Professors Myers and Schultz of the Massachusetts Institute of Technology made a study of the closing of the mills in Nashua, New Hampshire. A further study is to appear by Professor William H. Miernyk of Northeastern University. They all tell the story that older persons have difficulties in getting jobs; younger persons may find jobs; textile workers seek jobs within the textile industry since they find other employers reluctant to hire them; most of those who get jobs in other industries have to take severe wage reductions. Most of the textile workers are relatively immobile. Professor Miernyk concludes that "workers displaced by the liquidation of textile mills in New England are not being absorbed in large numbers by the industries which are expanding in this area. . . . The highly aggregate comparisons of recent employment trends in New England conceal the fact that industrial growth and decline do not always coincide in the same areas." He further adds that "a number of writers have implied, while others have explicitly stated, that displaced textile workers are being absorbed by growth industries, notably electronics. Our findings do not bear out these statements. . . . Instead of employing displaced textile workers in large numbers it appears that the growth industries are employing new entrants into the labor force." His final conclusion is that "there is no reason to expect a larger proportion of displaced workers to be absorbed by other industries in the future than has been true in the past."

Rising Productivity

The second major cause of the reduction in employment in this industry is increased man-hour productivity. One major factor in this rise has been the use of new equipment. Since World War II, the industry's expenditure for modernization and expansion has amounted to over $4 billion. The bulk of these expenditures was for the purchase of new equipment rather than new buildings. More innovations are impending.

But these expenditures are only part of the cause for higher output. The textile industry has learned the techniques of other American industries and has assiduously applied them during the past several years. There are new processes, procedures and management techniques. In addition there are new fibres, which have challenged the older ones. These changes can be found in each division of the industry. The combined effect of these changes has been a rise in man-hour productivity in excess of 5% per annum particularly since 1948, when the effects of the earlier investments became apparent.

The nature of the problem is illustrated by the fact that employment during the month of November 1954 in the textile industry was 993,000 persons which was 20% below the average employment level of 1947-49. According to the Federal Reserve Board, textile mill production for the month was actually 103% of the base period of 1947-49. Twenty percent less workers in Novemebr 1954 were producing 3% more product than in the base period of 1947-49. This rough measure indicate an increase in productivity of 29% in the period.

Causes For the Present Condition

There have been many causes for the present state of affairs in the industry. These hearings cannot provide the forum for an adequate discussion of these problems. We shall therefore limit our presentation to an enumeration of these problems.

(1) Loss of Domestic Outlets.

The industry has lost many major outlets for textiles. These are reflected by the loss of textiles for wrapping, packing and bagging to paper and plastics.

TABLE I

Employment in the Textile Mill Products Industry by State February, 1951 and October, 1954

	Employment (Wage and Salary Workers) February, 1951	October, 1954	Change From Feb., 1951 to Oct., 1954 Aggregate	Percent
United States †	1,365,000	1,082,000	—283,000	—20.7%
New England:				
Maine	27,500	20,800	— 6,700	—24.4%
New Hampshire	21,100	14,100	— 7,000	—33.2
Vermont	5,200	2,400	— 2,800	—53.8
Massachusetts	125,000	66,800	— 58,200	—46.6
Connecticut	41,600	26,900	— 14,700	—35.3
Rhode Island	65,700	38,400	— 27,300	—41.6
	283,100	169,500	—116,600	—40.8%
Middle Atlantic:				
New York	96,100	69,000	— 27,100	—28.2
New Jersey	65,800	46,000	— 19,800	—30.1
Pennsylvania	141,700	104,900	— 36,800	—26.0
Delaware	3,600	2,700	— 900	—25.0
	307,200	222,600	— 84,600	—27.5%
South: †				
Maryland	11,600	7,600	— 4,000	—34.5
Virginia	42,700	38,400	— 4,300	—10.1
North Carolina	244,200	‡224,300	— 19,900	— 8.1
South Carolina	139,800	132,400	— 7,400	— 5.3
Georgia	114,800	104,100	— 10,700	— 9.3
Alabama	55,500	47,900	— 7,600	—13.7
Tennessee	39,900	*34,900	— 5,000	—12.5
Texas	10,200	8,900	— 1,300	—12.7
	658,100	605,700	— 52,400	— 8.0%
Mid West:				
Illinois	13,500	11,100	— 2,400	—17.8
Minnesota	4,900	3,100	— 1,800	—36.7
Missouri	3,700	*3,100	— 600	—16.2
	22,100	17,300	— 4,800	—21.7%
Far West:				
California	8,200	6,300	— 1,900	—23.2
	8,200	6,300	— 1,900	—23.2%

*October, 1954 figures are not available; figures shown are for September, 1954.
†Data includes states not shown separately.
‡October, 1954 figure is not available; figure shown is for August, 1954.
SOURCE: State Departments of Labor and U. S. Bureau of Labor Statistics.

Window shades have been replaced by blinds. Table cloths, aprons and curtains have lost out to plastics. The losses have been particularly large in industrial and household uses.

(2) Loss of Export Markets.

The industry has lost major export markets. From a level in excess of 1.5 billion yards in 1947, the volume of cotton fabric exports has dropped below 600 million yards, with every likelihood that even this level will not be maintained.

(3) Changes in Types of Garments.

There has been a drop in the per capita consumption of textiles due to the diminished use of such garments as overcoats. Casual attitudes and habits have reduced consumption and turnover, particularly as clothing lasts longer. Many significant changes in clothing patterns such as the substitution of blouses and skirts for suits and dresses for women and the acceptance of slacks and sport shirts instead of suits among men have sharply affected total output.

TABLE II

Textile Areas of Substantial Labor Surplus

SEPTEMBER, 1954

(Major areas shown in bold face type)

MAINE
*Biddeford

VERMONT
*Burlington

MASSACHUSETTS
***Fall River**
†**Lawrence**
***Lowell**
*Milford
***New Bedford**
*North Adams
†Southbridge
†Webster

RHODE ISLAND
†**Providence**

NEW YORK
†Amsterdam
*Hudson
*Utica
***Rome**

NEW JERSEY
***Paterson**

PENNSYLVANIA
†**Altoona**
†**Hazleton**
†Mt. Carmel
***Reading**
†**Scranton**
†Shamokin
†Sunbury
†Wilkes-Barre
*Williamsport

MARYLAND
†Cumberland

WEST VIRGINIA
*Parkersburg

GEORGIA
*Cedartown
*Rockmart
***Columbus**

ALABAMA
*Alexander City
*Anniston
*Decatur
*Gadsden
*Talladega

*Unemployment from 8 up to 12% of labor force.

†Unemployment 12% or more of labor force.

Source: Bureau of Employment Security, U. S. Department of Labor.

(4) Changing Pattern of Consumer Expenditures.

The inadequacy of income, the appeal of other expenditures, particularly consumer goods, the heavy burden of mortgage debt, have all contributed to a reduced expenditure on apparel. Despite the seeming diversity of apparel items and the high turnover of style, they have not significantly affected per capita fibre consumption. Increased population has not raised total consumption.

These conditions are reflected in the fact that the ratio of apparel expenditures to total consumer expenditures amounted to 6.9% in 1954 as compared with 7.7% in 1951, 8.5% in 1949, 9.5% in 1945 and 8.7% in 1939.

Per capita consumption of textile fibres has apparently not risen over the prewar levels. From 27.3 pounds in the period from 1925-29, per capita consumption increased to 28.1 pounds in 1935-39. Actually in 1937 and 1939 it reached 31 pounds. In the year 1954, the consumption level was 32 pounds per capita.

(5) Tardiness in Meeting New Consumer Trends.

Apparel has been designed for urban living despite the large number of people now living in suburban areas. People want washable items. Rayon and woolen fabrics which have been tardy in meeting this demand lost markets which were not entirely filled by other fibres.

(6) Inter-fibre Competition Has Discouraged Buying.

The excessive claims of the fibre manufacturers have done much to repel the American consumer. Many apparel manufacturers and fabric producers put fabrics on the markets without proper testing for specific end uses. Their shortcomings finally led to their withdrawal and the bad experience brought a revulsion among many consumers who have been wary about buying unproven items.

The substitutions have provided bonanzas for the innovators but later failures followed as the items did not stand up under actual wear. In the meantime demoralization has ensured and the older industries such as woolens and rayons have suffered. New substitutions are rendering obsolete even new innovations. In tire cord, rayon displaced cotton. Now nylon is battling it out with rayon. Already we hear of a non-fabric tire.

(7) General Business Contraction

The industry has also suffered from the contraction in over-all business which reduced income and therefore cut more sharply into apparel expenditures, which have become a residual claim on expenditures. The drop in manufacturing activity eliminated much demand for industrial textiles.

(8) The Industry Has Not Developed Any Significant New Markets.

The textile industry has intensified the competition for established markets. As traditional end-uses have been eliminated, the remaining producers have more feverishly developed the remaining markets. Few have ventured to open up new demands through research and intensive surveys of possible outlets.

A much discussed new potential market is that for conveyors which was developed by the rubber manufacturers.

There is little organized research for new markets in the industry.

(9) Many Textile Owners Have Abandoned Their Mills.

The textile industry has suffered from unprogressive managements.

In the first place many mills have been owned by the same interests for several generations. They had survived the depression and were capitalized at very low values.

(a) Some of these older interests sold out to other textile interests, textile users or financed speculators, during or immediately after the war, who were primarily interested in avoiding the excess profits tax. They paid high prices, which gave the original owners large capital gains. The purchasers financed the transaction with the cash accumulated in the old business and then could continue business with a high capitalization and therefore pay little or no excess profit taxes.

(b) Others sold out to established textile interests, particularly since the carry-over provisions of the corporate income tax law have become more attractive. They thereby profited through a merger and acquired the stock of the successor corporation which was generally a non-taxable transaction. The successor corporation has been able to use the carry-over provision as a means of escaping future taxes. In some instances these tax savings have amounted to $20 to $30 million. These mergers, based on the capitalization of the loss position of the merged companies, have been widespread within the textile industry and are matters for real public investigation.

In the second place, a number of interests have been unwilling to invest to modernize their operations. No mill can survive unless it has the latest type of equipment and those owners who have been unwilling to keep abreast of the times have often abandoned their mills in preference to modernizing them. This procedure was attractive particularly at times and places where the real estate was of substantial value and when a market existed for the used equipment.

In the third place, the decline in the market for certain products has limited the capacity required in them. Older managements have in those cases been unwilling to move into new product areas and start afresh in the competitive struggle.

We urge a thorough investigation into the effect of our tax structure upon the process of plant abandonment and mergers and purchases. Our tax system has inordinately encouraged these movements. And the textile industry has been one of the most important areas for the utilization of the tax laws for personal aggrandizement accompanied by widespread plant abandonment.

(10) Imports Have Seriously Affected Some Divisions of the Industry.

While the textile industry as a whole has not been particularly affected by imports, the woolen and worsted division has been seriously injured from time to time as the volume of imports has risen in the face of a shrinking market. These imports have then tended to aggravate and de-

TABLE III

Textile Mill Liquidations in Eastern States—1946-1954

(Includes spinning, weaving, knitting, dyeing, finishing and carpet plants)

	Total Plants	Total Employees	New England Plants	New England Employees	Middle Atlantic Plants	Middle Atlantic Employees	South Plants	South Employees
1946-49	233	49,095	87	24,775	89	11,600	57	12,720
1950-52	200	50,715	72	30,745	115	16,845	13	3,125
1953-54	207	68,135	77	36,315	83	22,800	47	9,020
Total	640	167,945	236	91,835	287	51,245	117	24,865

Continued on page 40

Continued from page 39

Depression in the Textile Industry and the Way Out

moralize an already difficult situation. The industry must look with alarm at any increase of imports of serious proportions since they would aggravate what is now a seriously disturbed condition. It is an industry which must be maintained.

The hard and soft fibre cordage and twine division has also felt the impact of rising imports and is in need of protection as an essential industry. The threat of a major increase in cotton textile imports from Japan as a result of impending tariff negotiations is a real one. Any action which would compound the difficulties of this depressed industry must be avoided.

(11) Prices Have Been Set By the Highly Efficient Mills.

In this highly competitive market, prices have been driven to very low levels. Mill margins have also been very low. With the industry now highly concentrated in a relatively few hands, the major mill and selling organizations have set their prices at levels which reflect the southern wage scales and their high efficiencies. As a consequence the less efficient mills and those paying more than the southern wage scales on products predominantly produced in the South have had severe pressure on their income levels.

(12) The High Rate of Mergers and Mill Purchases has Concentrated the Industry.

The mill mergers and purchases have continued in large numbers since they began during the last war. The movement from 1944 through 1943 has been revived during the last few years so that we are now in a new period of consolidation. This has been stimulated by the tax laws; the decline of the woolen and worsted industry; the drive for diversification; and the practice of integration which has brought production, selling and factoring within the same interest grouping.

(13) The Absence of a Realistic Wage Floor Has Maintained an Inordinate Pressure on Union Scales.

The intense competition and the high rate of unemployment have enabled employers to resist union demands for wage increases and resulted in the deterioration of existing wage standards. Employers in the northern cotton-rayon and woolen and worsted industry have taken the union to arbitration and forced wage reductions upon the workers. Northern manufacturers continue to pressure for southern wage standards though they are quite willing to maintain higher standards if wage levels were equalized throughout the country.

In the South, the low-wage mills have continued to undermine the wage structure. Some of the southwestern mills have even threatened the wage levels in the southeastern states. The internal southern competition has brought wage reductions in a number of nonunion shops.

The injunctions which have nullified the Secretary of Labor's orders for $1.00 prevailing minimum wage in cotton-rayon and $1.20 in the woolen and worsted industries under the Walsh-Healey Public Contracts Act have accelerated the demoralization within the industry.

(14) Local Tax and Finance Subsidies Create Unfair Advantages Leading to Unnecesary Migration.

Another stimulant to disorganization and unfair competition has been the local inducements offered by communities in the form of tax exemptions, profitable lease arrangements and local financing of plants and equipment. These have encouraged companies to abandon existing locations and move to new properties with little cost and investment. The result has been an unhealthy competitive situation which has called forth protests both from labor and management in the North and in the South.

Proposed Courses of Action

To help deal with the problems raised by the large scale distress and the decline in the textile industry many approaches and programs have to be considered. Some are designed to stimulate the industry; others to aid the victims of change and unenterprising management; others to prevent greater demoralization; and still others to prevent unfair competition within the industry.

The following are recommendations which have been offered at various times and which are herewith submitted for full consideration by the Joint Committee:

(1) We urge a full investigation of the problems of the textile industry and a consideration of each of the proposals listed below. No governmental agency in the present Administration has been willing to undertake this responsibility.

(2) As an immediate program to help the industry, we propose the following:

(a) Distribution of textiles to needy nations overseas.

(b) Distribution of clothing to the needy in our own country on the same principles as are applied to surplus food.

(c) Reestablishment of textile stockpiles for our armed forces to stimulate immediate employment.

(d) Contracts should be granted to mills in distressed manpower areas. The present provision is unsatisfactory. The allocations have been minimal and have provided little or no relief to the distressed areas.

(3) As a long-term effort toward stimulating the growth and expansion of the textile industry, we urge a research program such as has been conducted for the raw cotton industry. It should be designed primarily to study present and potential markets, consumer preferences and needs, and industrial requirements to open up new applications for textiles. In the case of the woolen and worsted industry there is a need for a wool fabric "library" to stimulate new design and aggressive merchandising.

(4) Unfair competition at the expense of workers has been widespread. In order to recover the wage cuts which have been imposed upon the industry and to prevent further wage cuts and unfair use of workers, and to establish fair competition the following are essential:

(a) A national minimum wage of $1.25 cents per hour. We believe that the President's proposal of 90 cents will be inadequate. It will have little or no effect in the textile industry where the Secretary of Labor has already found that the prevailing minimum wage is $1.00 for the major division (cotton-rayon and miscellaneous textiles) and $1.20 for the woolen and worsted industry.

We believe that the President's annual economic report takes an indefensible position in its attack against a higher than 90-cent minimum wage. It is completely contradicted by the factual report issued a few days ago by the Department of Labor on the effects of the 75-cent minimum wage of 1950. All evidence on the experience with minimum wage legislation during the past 20 years belies the President's fears about a higher than 90 cents an hour statutory wage.

The statements in the President's Annual Economic Report that a "higher minimum (than 90 cents) might well cause lower production and substantial unemployment in several industries and . . . bring generally higher prices in its wake" is a reiteration of a stock argument used through the years by the opponents of any legislation setting fair minimum wages. The facts are that each increase in the basic minimum rate in the past has been accompanied by increases in production and greater employment. Price increases, where they have occurred at all, have been so minor as to be insignificant.

Actually the 1950 increase from 40 to 75 cents—as demonstrated by the current Department of Labor study—was more substantial than the rise now recommended by the President. In 1950 we had an 88% increase on the 40-cent-an-hour rate which directly affected over 6% of covered employees. A 90-cent minimum would be a 20% boost on the 75-cent rate and would directly affect less than 5% of eligible workers.

The above report finds that the 1950 increase to 75 cents resulted in "only minor effects other than pay increases . . . (and) minor effects on such variables as employment, plant shut-downs, prices, technological change, hiring and overtime."

The President's message completely misses the point when he states that "minimum wages do not deal with the fundamental causes of low income and poverty." The fact is that the weak bargaining power of unorganized workers in certain industries and areas is a fundamental *cause* of their not receiving decent wages. The minimum wage law partly corrects this imbalance in bargaining power which is the principal cause of substandard wages. The purpose and actual result of minimum wage legislation is to enable workers who have little or no bargaining power to achieve a progression in wages not too far behind the levels enjoyed by other American workers.

The adoption of a realistic minimum wage in 1955 will have no greater consequences than those experienced in 1950. A statutory wage of $1.25 is justified by the rise in living costs and the sharp increases in man-hour productivity during the past four years. A minimum rate of $1.25 per hour is required to enable large numbers of underprivileged employees to achieve living standards not too much below what could be properly described as a decent American standard.

(b) We urge the repeal of the Fulbright Amendment to the Walsh-Healy Act which has frustrated any revision of the prevailing minimum wage.

(c) We urge a further protection for the self-organization efforts of workers in unorganized mills of giant industrial corporations to protect them from the vengeance and unequal economic powers of these huge economic units.

(d) We urge a full-scale study of the 35-hour week for this industry at 40 hours' pay during the current period of distress.

(5) Regional and local development are essential. The present Administration has recommended the expansion of its area development program. Until now it has been a step-child with little support. It has largely been engaged in making occasional political forays into distressed areas. It has sometimes captured a local news headline, but it has few resources and means for implementing a program. We welcome the expansion of this program but it must be more than a Department of Commerce undertaking. It must have the concentrated support of the full Administration and the command over the facilities of many different agencies. Moreover, in all but the distinctly local problems, development is dependent upon extensive regional and area research and planning. Agencies for such purposes do not now exist.

More study and thought must be provided for the stimulation of small enterprise.

(6) Mergers and abuses of tax system. Congress has a distinct responsibility to study the abuses of the tax system with particular reference to circumstances surrounding the present merger movements in the textile industry. Some phases which we believe require searching inquiry are the following:

(a) The disallowance for tax purposes of the deduction of rent from taxable income by industrial companies which lease plants built from the proceeds of municipal bond issues. The ultimate aim should be the elimination of state and local tax exemption and other subsidies to private enterprise which artificially stimulate migration of plants.

(b) The elimination of the use of the capital gains tax provisions in our federal income tax laws for the purpose of liquidating businesses or acquiring businesses for the purpose of their later abandonment.

(c) The elimination of the use of the carry-over provisions by corporations which utilize them for the acquisition of corporations looking to the later abandonment of properties and operations.

(d) As an alternative the imposition of a special tax on the gains resulting from such use of the capital gains tax or the carry-over provisions for the specific purpose of using such proceeds for local development, worker adjustment programs and local public works.

(7) Exemption of textile products from further tariff reductions. In view of the demoralization of the textile industry and the undue burden already imposed upon the textile workers and because the increasing productivity within the industry will reduce costs even more sharply than they have to date, with the consequence that foreign producers will not be able to maintain a permanent foothold in our markets, we urge that rates of duty on textile items in the tariff schedules not be further reduced in the negotiations with Japan or any subsequent or concurrent negotiations with foreign countries.

(8) Assistance to workers victimized by the shrinkage of textiles and the wholesale abandonment of plants. We endorse the recommendation in the President's Economic Report for policies "to ease the movement of people to new areas or new occupations." Similarly we concur that people should be provided for "minimum needs in their old age or in the event of misfortune." Unfortunately, the definition of minimum needs presented in the Economic Report is grossly inadequate.

We, therefore, propose the following:

(a) Liberalization of the unemployment insurance provisions so that they provide two-thirds of the average weekly earnings to unemployed persons. For workers displaced by abandoned plants we urge a longer period of qualification for unemployment benefits, such as two years.

(b) In case of abandoned plants we urge consideration of the application of the principles already applied in the railroad industry under the Transportation Act of 1940, which provides that whenever facilities are coordinated or consolidated (and later defined as including abandoned), employees are to receive displacement and dismissal allowances, reimbursement for movement expenses and wage losses if required to move to new residences and reimbursement for losses incurred in sale of home or cancellation of leases if required to move.

(c) There is need of establishing preferential hiring rights for new jobs established by the same corporation or industry for a period of two years subsequent to plant liquidation.

(d) Eligibility for early retirement, at age 60, is necessary for persons displaced as a result of the abandonment of plants.

(e) Federal assistance is necessary for retraining of workers displaced as a result of plant abandonment.

Charles A. Sheedy With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles A. Sheedy has become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Sheedy was formerly with Lester, Ryons & Co. in the trading department.

Customers' Brokers Anniversary Dinner

The Association of Customers' Brokers will hold their 16th anniversary dinner on April 21 at the Sheraton Astor Hotel. General reception will be held at 6 p.m. and dinner at 7 p.m. Tickets are $12 per person, including gratuities.

Davidson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Sherman C. Hall has been added to the staff of Davidson & Co., 155 Sansome Street, members of the San Francisco Stock Exchange.

David C. Kuh Joins Reynolds On Coast

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—David C. Kuh has become associated with Reynolds & Co., 425 Montgomery Street. Mr. Kuh has recently been with Managed Investment Programs. Prior thereto he was a partner in Hooker & Fay.

Alston S. Patterson has also joined the Reynolds' staff.

With Neal Kellogg

(Special to THE FINANCIAL CHRONICLE)

WOODLAND, Calif. — Kenneth H. Eckel is now affiliated with Neal Kellogg, 185½ First Street.

With Baxter, Williams

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard A. Erley has become associated with Baxter, Williams & Company, 231 South La Salle Street. Mr. Erley was previously with the Continental Illinois National Bank and Trust Company.

With Federated Secs.

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La.—George R. Beatty, Joe T. Collins, Gove D. Davis, Malcolm L. Prater, and William L. Senn have been added to the staff of Federated Securities Corporation, Louisiana National Bank Building.

Joseph F. Cullman, Jr.

Joseph F. Cullman, Jr., partner in Cullman Brothers and a member of the New York Stock Exchange, passed away on March 18.

Continued from page 2

The Security I Like Best

1865. Under his leadership, the concentration upon high quality and the policy that "the customer is always right" were established and have continued to this day. Field's has always blazed the way in the merchandising field with the first basement budget floor, the first department store restaurant, the first separate men's store, and the first personal shopping service. Although the development of suburban branches of large downtown department stores has been considered probably the most significant postwar event in the retail field, in the late '20s Marshall Field had already established suburban stores at Oak Park, Evanston and Lake Forest, Illinois, which have shown a steady growth over the past 25 years.

In 1929, the company acquired Frederick & Nelson, the largest department store west of Chicago and north of San Francisco. From 1946 through 1953, total capital expenditures of about $24 million were made to modernize the Chicago and suburban stores and in 1950-1952 inclusive, $10 million was spent to expand the capacity of the Frederick & Nelson store by 50%. Because of the rapid population growth of the Pacific North West, the future sales potential of the two Seattle stores, including a proposed new suburban store in Bellevue, Washington, looks very promising. A program of air conditioning all selling floors of the main Chicago store will be completed in the spring of this year.

With the sale of the Fieldcrest Mills on Sept. 30, 1953, the Marshall Field management disposed of its last non-department store enterprise and was thereby freed to concentrate its energies on the business it knew best. Although sales of the Fieldcrest Mills averaged $38 million annually in the 1949-1953 period, operating results were disappointing with pre-tax income averaging only $979,000, or 24 cents per share after a 52% tax.

The management enters upon the following schedule of new store construction with a solid "know-how" in suburban store operations:

Location—	Estimated Date of Opening	Probable Sq. Ft. Area
Park Forest, Illinois	Mar., 1955	75,000
Bellevue, Wash. (suburb of Seattle)	Fall, 1956	100,000
Old Orchard (Skokie, Ill.)	Fall, 1956	285,000
Wauwatosa, Wisc. (suburb of Milwaukee)	Fall, 1957	275,000

We estimate that the company can comfortably meet the required initial investment for these stores out of working capital and that these new stores should produce initial annual sales at the rate of $35 million. Based on an estimated return after taxes of 3¼% of sales, earnings would amount to $1-$1.1 million (50 cents-60 cents per share) in the early years of operation of the four stores and could reach $1.4-$1.6 million (70 cents-80 cents) later on.

After a slow start last year, indications are that profit margins and earnings staged a strong come-back in the second half and results for the fiscal year continued the uptrend of 1952 and 1953. On a comparable basis, excluding Fieldcrest Mills, net sales in the calendar year 1954 showed a slight increase, while net income, it is estimated, rose about 11%, or from $2.61 to $2.90 per common share. It is our understanding that a more substantial earnings improvement was shown in the months of November and December. Present indications are that sales and earnings in the fiscal year ending Jan. 31, 1956, should continue the uptrend. The Chicago stores are expected to show moderately higher sales and profit margins in 1955.

Reflecting the steady population and industrial growth of the Pacific North West, sales and profits of the Frederick & Nelson store at Seattle should continue to run above the average for the company as a whole. Because the relationship of durable goods lines to non-durables favors the latter in Marshall Field stores, the company should benefit particularly from the present upturn in demand for consumers' non-durables such as apparel.

Looking further ahead, we can visualize annual sales of $225-$240 million and net income after taxes of $3.50-$3.75 per share. In fact, it is quite possible that sales and net income in the 1955-1956 fiscal year will already exceed $200 million and $3 per share, respectively.

Relative to the equities of other major department store chains, the common stock sells on a relatively high yield basis but at a relatively low ratio to book value:

	Market Price Mar. 23,'55	Book Value Jan. 31,'54	Mkt. Price % Book Value	Estimated Dividend Rate	Yield
Marshall Field	34¼	*$37.16	92.2%	$2.00	5.8%
Allied Stores	55⅛	50.42	109.3	3.00	5.4
Associated Dry Goods	27⅝	29.99	92.1	1.60	5.8
Federated Dept. Stores	55½	33.94	163.5	2.50	4.5
May Department Stores	36⅝	24.15	151.7	1.80	4.9

*As of Dec. 31, 1953.

This comparison is especially pertinent in view of the fact that the company's common stock is selling lower than the other principal department store equities relative to the 1946 highs, which in most cases represented the postwar market peaks:

Issue—	Market Price March 23, 1955	1946 High	Market Price % 1946 High
Marshall Field	34¼	57⅞	59.2%
Allied Stores	55⅛	63⅜	87.0
Associated Dry Goods	27⅝	35½	77.8
Federated Department Stores	55½	35¼	157.4
May Department Stores	36⅝	35	104.6

Despite capital expenditures of $24 million in the 1949-1953 period for modernization of the Chicago and Frederick & Nelson stores, sale of the Fieldcrest Mills on Sept. 30, 1953, enabled Marshall Field to close that year with an excellent working capital position. On Dec. 31, 1953, current assets of $89.0 million, including cash and U. S. Government bonds of $34.4 million, were equal to 3.8 times current liabilities of $23.5 million, leaving a net working capital of $65.5 million. It is estimated that working capital 12 months later will have shown some increase. The common stock of Marshall Field is listed on the New York Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to be a rather sensitive affair, with the action of the equity market still having a noticeable effect upon the trend of quotations of Treasury obligations. When the pressure is on the stock market it seems to be off the Government market, and vice versa. However, it appears as though there will not be much more than limited rallies and sell-offs in the Government market until there is something of a more definite nature coming from the monetary authorities. The market action of the recently offered 3s of 1955 has given the financial community a feeling of confidence, because of the new highs which were registered by this bond.

The short-term issues continue to have plenty of followers in spite of the recent tax anticipation financing by the Treasury. Intermediate term obligations are still not doing very much, even though there have been reports of a minor pick-up in interest in these securities.

3s of 1995 in Demand

Despite the tightness which is still prevailing in the money markets, there appears to be a growing amount of interest developing in the longest Government issue, namely the 3% due 1995. It is indicated that quite a few institutional investors had been adding to their holdings of the recently offered long-term Treasury obligation. It is reported that a substantial amount of the buying which has come into the 3s of 1995 has been the result of switches from corporate bonds. There are instances in which some of the lower coupon corporate obligations have been sold and the funds released in this operation have been reinvested in the 1995 Government maturity.

On the other hand, there are reports of swops being made from higher coupon non-Government issues, with the proceeds being put to work in the most distant Treasury bond. It is evident that more money would be invested in the Government 3s of 1995 if the market for the securities which are being sold was sizable enough to take care of larger offerings of these obligations.

Short-Terms Equally Favored

The short-term Government issues are still very much in demand even though the recent offering of Treasury tax anticipation certificates tended to mop up a great deal of the near-term money which was around and seeking a place to be put to work. It is evident that not a few of the larger commercial banks would like to add to their holdings of the shortest Government issues, but this is not likely to happen until the credit limiting policies of the monetary authorities have eased off or come to an end. For the time being, however, it seems as though the investment of funds by public authorities in the short-term Treasury market, along with other non-banking institutional buyers that must have a certain amount of the most liquid Government issues, is going to keep the shortest Treasury obligation very much in demand.

The intermediate-term Government obligations have been pretty much in the doldrums, even though there are reports that some of the commercial banks have been making purchases of selected issues in order to fill out maturities. As agaist this, there are indications that certain of the deposit banks have been sellers of some of the middle maturities with the proceeds being put to work in the 3s of 1995. These banks, according to advices, have substantial amounts of savings deposits and they have been attracted to the 3% of 1955 for income purposes.

The Stock and Mortgage Markets

The money market, it seems, will be concerning itself in the foreseeable future with what is going to happen in the way of a lessening or increasing of the credit limiting operations of the powers that be. The publicity which has been given to the equity market in the Fulbright hearings appears to have done very little to tone down the stock market. Whether this is just a rallying phase in the equity market or will be something of a more permanent nature will be told only with the passing of time.

Likewise, it appears as though quite a few of those who are important in the mortgage business are continuing to sound warnings about the unhealthy conditions which have been developing in the building industry. Here is another case in which the publicity factor, up to now, seems to have had little or no influence upon what is going on in the mortgage field. It is indicated, however, that a slowing down of the rush in the stock market and in the mortgage business will not be an unfavorable development for the Government bond market.

Bank Women Convene In N. Y. City in April

A Joint Meeting of the Middle Atlantic and New England Divisions of the National Association of Bank Women will be held at the Hotel Biltmore, New York City, Friday, Saturday and Sunday—April 15, 16 and 17.

It is estimated that some 200 women banking officers from Maine to Virginia will attend. The conference will begin with registration on Friday afternoon at 4:30 o'clock. The dinner meeting will be presided over by Miss Gertrud Sundlie, Regional Vice-President of the New England Division and Assistant Branch Manager of the National Shawmut Bank, Boston, Mass.

Miss Mabel E. Hamilton, Assistant Branch Manager of the National Shawmut Bank, Boston, Mass., will be the speaker at dinner. Her subject will be "Salesmanship—Our Major Tool."

The Saturday session will begin at 10 o'clock with a panel discussion, "Banks Are People," moderated by Miss Jeanne Bradley, Assistant Treasurer of the Bank of New York. The subjects that will be discussed are:

"The Bank and Its Staff" — Miss Helen R. Feil, Personnel Director Book-of-the-Month-Club, (formerly with Dime Savings Bank of Brooklyn).

"The Bank and Its Customers" —Miss Agnes J. Carnall, Second Vice-President of The First National Bank and Trust Company, Ridgefield, Conn.

"The Younger Generation" — Miss Agnes R. Martin, Assistant Vice-President, The Philadelphia Saving Fund Society, Philadelphia, Pa.

A special luncheon at the Park Lane Hotel will be presided over by Miss Pearl Gaulette, Conference Chairman and Assistant Secretary of the Bank of America (International), 40 Wall Street, New York City. The guest of honor will be Mrs. Anna Arnold Hedgeman, Assistant to the Mayor of the City of New York. The luncheon will be followed by a special tour of the United Nations Building.

At 6 o'clock The Bank of America will be the host at a reception for members and guests. This will be followed by the Annual Banquet at which Miss Mabel F. Thompson will preside. Miss Thompson is Regional Vice-President of the Middle Atlantic Division and Assistant Secretary of The Union Dime Savings Bank, New York City. The Banquet speaker will be Mr. A. S. G. Hoar, Director of Operations, Europe, Africa, and Australasia, International Bank for Reconstruction and Development, who will speak on the subject, "The World Bank and the Private Investor."

Sunday, the final Conference day, will open with a brunch meeting with Miss Thekla J. Burns, Arrangements Committee Chairman and Assistant Secretary of the Chase National Bank, New York City, presiding. The invocation will be given by Miss Catherine Pepper, Associate Member (formerly with the National City Bank of New York). The members will then hear from Miss Cora I. Blanchard, President of the N. A. B. W. and Assistant Treasurer of the Suffolk Savings Bank for Seamen and Others, Boston, Mass., and Miss Virginia A. Rehme, Vice-President of the N. A. B. W. and Assistant Vice-President, Southern Commercial and Savings Bank, St. Louis, Mo. Miss Blanchard and Miss Rehme will both report on the national activities of the Association.

The meeting will end with a visual demonstration of the radio and television activities of the Metropolitan Group members. The presentation will be made by Mrs. Irma S. Robins, National publicity Chairman and Assistant Director of Public Relations, The Franklin National Bank, Franklin Square, N. Y.

Mutual Funds

By ROBERT R. RICH

CANADA GENERAL Fund (1954) Limited, largest Canadian investment company owned by United States investors, reports total net assets of $54,739,825 on Feb. 28, 1955, equal to $9.98 per share on 5,483,098 shares of outstanding common stock. Comparable figures for previous periods are not available as the Fund did not begin active operations until Sept. 1, 1954, following the original public offering of its shares in August at a price of $10.

In the current report, Henry T. Vance, President, noted that during the first quarter of operation the Fund acquired, through merger, the investments held by the former Canada General Fund, Inc. and that during the second quarter, investment of the cash resulting from the original offering of shares continued at a steady rate.

Holdings of 85 Canadian stocks in 16 industry classifications are listed in the quarterly report as of Feb. 28, representing a market value of $43,810,110, with the balance of net assets in cash and receivables. Principal investments by industries showed 13.87% in oils, 10.86% in paper and other forest products, 9.97% in stores, 8.28% in public utilities, 7.97% in mining, 7.39% in finance companies and 6.32% in bank stocks.

The report states that: "As the management of Canada General Fund (1954) Limited is the same as that for the former Canada General Fund, Inc., it may be of interest to review the record since Canada General Fund, Inc., began active operation on Aug. 1, 1952.

"On that date, the net asset value for 1,000 shares of Canada General Fund, Inc. was approximately $9,260. In 1953, a capital gains distribution amounting to $90 on 1,000 shares was paid. In the merger mentioned above (on the basis of respective net asset values per share) a holder of 1,000 shares of the original Canada General Fund would have received 1,224 shares of the present Fund, plus $6.82 in cash. The shares received, together with the cash settlement and capital gains distribution, would represent a net asset value of $12,312 as of Feb. 28, 1955; an increase of 33.0%."

THE $418 MILLION Wellington Fund had 67% of its resources invested in common stocks on March 1, last, Walter L. Morgan, President, told shareholders in the 101st Dividend News and Shareholders' Report made public today.

The balance of resources on that date, Mr. Morgan said, was in defensive securities, about equally divided between Government bonds, good grade corporate bonds, and preferred stocks. This overall investment position, the Wellington executive pointed out, was about the same as at the start of 1955.

Since the first of the year, the fund moderately reduced investment bonds and preferred stocks, and correspondingly increased Government bonds. The reduction in corporate bonds, according to the report, was principally in longer term issues.

The principal common stock purchases, the report stated, were selected aluminum, building and rubber stocks bought for their favorable near-term earnings prospects or long-term growth. The principal common stock reductions were in the merchandising, railroad, steel and textile groups. Steel stocks were reduced moderately on a rising scale following their sharp advance of recent months.

Shareholders of Wellington totaled an all-time high of 142,367 on March 1, last, to rank the fund among the nation's 20 largest corporations with respect to number of shareholders. These shareholders are located in every state of the Union and in 37 foreign countries.

The report lists Wellington's total net assets at $418,928,305 on March 1, 1955. This compares with $303,178,187 on the same date a year ago.

PER SHARE value of Keystone Income Preferred Stock Fund K-1 rose 12.3% in the 12 months ending Feb. 28, 1955. According to the Semi-Annual Report to shareholders, this increase was due primarily to lower interest rates during the period, the general uptrend in business activities, and to the fact that convertible preferreds in the fund have benefited from the sharp rise in common stock prices.

The report also noted that shareholders have enjoyed the remarkably steady income of 44 cents per share for the last five consecutive semi-annual distributions.

Total net assets were $41,559,937 on Feb. 28, 1955 compared with $37,241,826 on Feb. 28, 1954.

As of Feb. 28, 1955, the net assets of the 10 Keystone Custodian Funds combined amounted to $290,329,800.

A RECENT report from Distributors Group, Inc., provides a complete analysis of year-end holdings of The Common Stock Fund of Group Securities, Inc., over the past five years.

At the 1954 year-end, steel issues represented the largest percentage at 11.8%, up from 5.35% in 1952. During the same period, holdings in metals were increased from 3.56% to 10.03%; oils from 2.40% to 6.51%; railroad stocks from 6.91% to 11.05%.

Building stocks, representing 2.46% of the portfolio in 1950, accounted for 8.11% at Dec. 31, 1954.

Utilities, which represented the largest holdings in 1952 at 10.57% were down to 3.12% at year-end 1954.

Food stocks, which accounted for 9.90% in 1953 were 4.96% at the latest year-end. Electronics holdings show a consistent increase from a 1.57% base in 1950 to a year-end 1954 position of 4.12%.

Over the five-year period, income dividends paid by the fund have averaged 50 cents per share per year. Asset value rose from $8.09 per share on Dec. 31, 1950 to $11.58 on Dec. 31, 1954.

M.I.T. Growth Reports Gain

The report of Massachusetts Investors Growth Stock Fund, for the three months ended Feb. 28, 1955, shows total net assets of $66,388,505, a 46% increase over total assets of $45,459,212 at the end of the corresponding period in 1954. The net asset value per share on Feb. 28 was $25.87. This amount, together with a capital gain payment in December, is equivalent to $26.44 compared with a net asset value per share of $18.30 a year ago.

The number of shares outstanding at the quarter's close had increased to 2,565,805 and the number of stockholders to 18,126 compared with 2,484,150 shares and 17,432 stockholders last year.

The fund's 89th consecutive dividend, amounting to 17 cents per share, is being paid March 25 to stockholders of record Feb. 28. A dividend of 16 cents per share was paid in the same quarter last year.

Changes in the Fund's investments during the quarter included:

PURCHASES

Company—	Bought
Aeroquip Corporation	35,000
Houston Oil Co. of Texas	9,900
Inter Cellucotton Prod.	2,000
McGraw Electric Co.	2,000
Nat'l Life & Accident Ins.	11,000
Republic Natural Gas Co.	9,000
Seaboard Oil Co.	9,000
Sheraton Corp. of America	30,000
Texas Pac. Coal & Oil Co.	5,000
Warren Petroleum Corp.	15,000

SALES

Company—	Sold
American Republics Corp.	22,500
Food Mach. & Chem. Corp.	4,200
Marathon Corporation	5,000
Monsanto Chemical Co.	1,000
Pfizer (Chas.) & Co., Inc.	5,500
Sprague Electric Co.	2,550
Texas Gulf Producing Co.	6,700
Texas Pacific Land Trust	6,000
Traders Finance Ltd. "A"	10,000
TXL Oil Corporation	24,000

Fundamental Reports Gains

More than $10,000,000 in new capital has been invested in one of the country's large mutual funds, Fundamental Investors, Inc., since the first of the year, Wm. Gage Brady, Jr., the Fund's board chairman said.

Speaking before the 23rd Fundamental Investors annual meeting, Mr. Brady said that the number of shareholders increased by 2,370 in the past two months and one-half to a new high of over 60,000.

"Of the additional shareholders," Mr. Brady noted, "more than 1,000 represented people who started to accumulate shares monthly or quarterly under our long-range systematic investment plan."

Mr. Brady told shareholders that "stock market fluctuations over the past few weeks, which made front-page headlines, had no effect on the redemption of Fundamental Investors shares.

"We of your board of directors regard the lack of increase in redemptions as a reflection of the long-range investment objectives of our shareholders and their feeling of confidence in the features of mutual funds such as Fundamental Investors, the strengths of which lie in diversification of investments and continuous professional management.

"During these weeks," Mr. Brady said, "less than four-tenths of 1% of total shares were redeemed. This is approximately the normal rate of withdrawal of funds."

Mr. Brady told the annual meeting that total assets for the Fund as of March 23, were $266,115,105. This compares with $170,327,717 for the same day of 1954. Net assets for Fundamental Investors, Inc., on Dec. 31 were $256,249,343.

"Net asset value per share at the time of the meeting was $13.73 which compares with $10.42 on March 23 of 1954. Net asset value per share was $13.49 at the 1954 year end."

The annual meeting re-elected Fundamental Investors, Inc. board of directors, including Mr. Brady, Chairman; Hugh W. Long, President; Thomas F. Chalker, Secretary; and Julian K. Roosevelt,

OPEN-END COMPANY STATISTICS—MONTH OF FEB., 1955

117 Open-End Funds

(In 000's of $)

	Feb. 28, '55	Jan. 31, '55	Dec. 31, '54
Total net assets	$6,453,899	$6,240,767	$6,109,390
	Month of February, 1955	Month of January, 1955	Fourth Quarter 1954
Sales of shares	$99,497	$109,783	$270,594
Redemptions	37,998	47,299	98,709

Holdings of Cash, U. S. Governments and Short-Term Bonds

December 31, 1953	$263,647
December 31, 1954	308,701
January 31, 1955	307,903
February 28, 1955	349,683

Accumulation Plans:	Month of February, 1955	Month of January, 1955	Fourth Quarter 1954
No. of new accumulation plans opened in period	8,769	8,618	20,462

William H. Lough, Solwin W. Smith, Roger Tuckerman, Clarence J. Reese and T. Kennedy Stevenson.

A 50 PER CENT gain in asset value during the first year under its present name and policy was made by The Capital Growth Fund of Group Securities, Inc.

Originally known as Investing Company Shares, the fund's policy was expanded and the new name adopted on Feb. 24, 1954. The present fund, unlike its predecessor, is not restricted to the shares of leverage closed-end investment companies, although by management's choice 22% of its current holdings are now invested in these securities.

Another 20% is invested in lower-priced stocks and 54% in speial growth stocks.

Management of the fund can adopt a defensive policy in holdings of more price-stable stocks, preferred stocks and/or bonds during "periods of uncertainty or decline, when conservation of assets for later buying opportunities may produce the best results."

Current assets of the Fund total $4,339,968, with 467,393 shares outstanding. Asset value per share on March 15 was $9.27.

AMERICAN BUSINESS SHARES reported total net assets of $33,186,306 on Feb. 28, 1955 compared with $33,821,000 three months earlier.

During the quarter, purchases and sales of investment securities other than U. S. Government securities totaled $207,000 and $1,875,521 respectively.

The fund added to portfolio during the quarter Tennessee Gas Transmission 3⅝s of 1974 and eliminated Tennessee Gas Transmission 3⅞s of 1972 and 1973.

A large number of different utility preferred stocks were also eliminated from portfolio, as were the common stocks of Chance Vought Aircraft Corp., International Nickel Co. of Canada, Ltd., and McGraw Electric Co.

Securities Salesman's Corner

By JOHN DUTTON

Newspaper Advertising

Every so often I receive letters from readers who tell me that they are unable to make their newspaper advertising pay them a profit. There are two kinds of returns from all advertising, direct and indirect. Placing your name before the public at regular intervals makes it possible for you to do more business with less effort. The returns from institutional advertising may be hard to define at times but over the years the firms that continually keep their name in the public eye will find that there are many occasions when it has hepled them to make sales, or secure underwritings, that might not have otherwise come to them. The direct results from advertising also can be achieved if you go about it properly.

Some Rules for Securing New Accounts Through Newspaper Advertising

Advertise Specific Situations—Ads that offer a particular security, especially one that is well known either locally or nationally, and that carry a coupon will bring better results than a general offer of information. Don't offer more than one security, or idea in any one ad.

Don't Try to Be Clever—Leave out the fancy verbiage. Pick a sensible headline. If you wish to offer a block of a certain security, offer it, and give the name of the company, the offering price, and current return. Suggest one or two compelling reasons why you believe the offering to be attractive. Don't talk down to anyone, leave out the statistics and financial lingo. Sell stocks like the grocer sells cabbage. The less people are asked to read and consider the better they like it and the more apt they are to be influenced to send for more information.

Use Coupons—Always put coupons on your ad and play up your telephone number. Ask for inquiries and make it easy for people to do so.

Buy Enough White Space — Don't jam your ads full of copy. The newspaper type setters in most cities where you don't use an agency will invariably use type that is too large and will often leave hardly any white space at the top and bottom of your ads. Insist on smaller type, less lead, and more white space. Some financial ads made up by run of the mill newspaper compositors look like announcements for a "live stock" sale instead of a sale of stocks.

Always Use the Same Border and Type Styles — Pick a type style and border that lends dignity and refinement to your advertising. Obtain the valuable benefits that come from repitition by using the same layouts and type styles constantly.

Ads Won't Sell for You

Learn how to follow leads. Use the telephone and eliminate the curiosity seekers and small fry who are going to be more trouble than they are worth. Remember one or two good accounts will pay for a lot of advertising. The purpose of good financial advertising is to build up your name and also to help you screen out some likely customers. Learn how to sift the wheat from the chaff.

By using the telephone you can become acquainted with many good prospects. Follow these people by mail, invite them to your office. Get an order from them and start to develop their good will from there. Many people will do business with you after they have made their first purchase. This first order is only a door opener. Get them in the habit of hearing from you by phone and my mail. After you have that first order, use other standard methods of becoming more friendly such as luncheons, offers of service, reports, etc. If you can cultivate accounts through radiation, cold call, or by direct mail, you can do the same with newspaper leads. Don't become discouraged if you run into many curiosity seekers and time wasters. Use the telephone and weed them out.

If You Are Getting too Many China Eggs

Too many leads that are not productive can be caused by a flaw in the selection of securities that you are offering in your ads. Sometimes local issues pull better names than national issues. In one locality, A. T. & T. brought in so many small investors that the ad was discontinued. In another city advertising Telephone was profitable. Find the ad that pays and stick to it. These rules will be helpful but the best one of all is stick to it until you find the combination then continue along those lines. Persistence pays off in advertising—but if your advertising is not bringing results change it until it does. What may work well in Dubuque may not work out in Keokuk, or Shreveport.

Kin-Ark Oil Stock At $2.75 Per Share

Van Alstyne, Noel & Co. are offering 500,000 shares of Kin-Ark Oil Co. common stock at a price of $2.75 per share.

Net proceeds from the sale of the stock, together with the proceeds of a loan of $300,000 from The Chase National Bank of New York, will be used by the company to discharge outstanding bank notes and a related mortgage; to drill 14 additional wells, and for addition to its general funds.

Kin-Ark Oil Co. is engaged in the business of acquiring leases of prospective oil and gas properties, principally in Arkansas, Montana, Louisiana and Colorado, and in exploring and developing them. It also produces and sells oil and gas from wells located in Arkansas. In addition, the company owns and operates a plant for the extraction of gasoline from natural gas. On the company's leases in Arkansas are located 60 producing oil wells and one producing gas well in which the company owns a full or partial interest. According to a firm of consulting petroleum engineers, estimated net proved reserves of the company as of Nov. 30, 1954 were 1,414,565 barrels, comprising 1,152,775 barrels of proved producing reserves; 130,540 barrels of proved non-producing reserves, and 131,250 barrels of proved undeveloped reserves.

The company presently sell its output of crude oil at posted field prices to various companies. As of Feb. 15, 1955, the posted field price for oil ranged between $2.40 and $2.75 per barrel.

Upon completion of the current financing, outstanding capitalization of the company will consist of a $300,000 bank note and 1,455,000 shares of common stock.

Public Utility Securities

By OWEN ELY

Middle South Utilities Inc.

Middle South Utilities is a southern holding company with annual revenues of $144 million—about 84% electric, 10% gas and 6% transit. The four operating subsidiaries — Arkansas Power & Light, Louisiana Power & Light, New Orleans Public Service and Mississippi Power & Light—have been operated as a closely coordinated and interconnected electric power system for about 28 years. A system operator near Pine Bluff, Ark., controls the major part of the system generating facilities, using the most economical combination of power sources available at any one time.

The System serves a compact area ranging from the Ozark Mountains of northern Arkansas, southeastward across the rich farm lands of the Mississippi delta, and down through the Gulf Coast plains of Arkansas and Louisiana. This territory has a wide variety of natural resources, including an ample supply of fresh river water.

During the past nine years the System has enjoyed tremendous growth, the load increasing at an average rate of 14% compounded annually, with a postwar increase in electric revenues from $43 million to $120 million or an increase of 180%. This has involved a tremendous construction program, with the size of new steam generating units constantly increasing. Thus in 1953 four units of 105,000 kw each were installed, and in 1954 three 135,000 kw units were under construction, the third to be completed in 1955. The next major round of generating units commencing in 1958 will be still larger, and thereafter the expected load growth may require installation of at least one large unit each year for some time.

In 1953 the System completed 423,000 kw of new generating capability and last year brought into service another 352,000 kw. The 135,000 kw addition scheduled for completion this summer will raise total generating capability to 2,165,000 kw. This compares with the 1954 System peak load of 1,709,000 kw, indicating that the System now has ample reserve capacity.

In 1955 Middle South expects to spend about $51 million for construction, of which $29 million is earmarked for distribution facilities, $14 million for generation and transmission, and $8 million for expansion of natural gas, transit, etc. This construction budget compares with $61 million spent in 1954 and $88 million in 1953.

The construction program this year will require only about $15 million of new money of which $8 million will be provided by sale of preferred stock by Arkansas P. & L. and the remainder through a bank loan. Arkansas is also doing a big refunding program — its $6 and $7 preferred stocks are to be exchanged for a new issue on an underwritten basis, and the $18 million 4¼% bonds will be refunded. Middle South itself will not sell any stock this year and in order to provide $20 million equity money over the next four years through 1958 a parent company bank loan may be arranged, in which case equity financing can be deferred for some time.

The management does not expect the System to grow quite so fast in future — it is projecting load growth at an annual rate of increase of 8½% compounded for the next few years. The very high rate of growth in the past few years was stimulated by the sharp increase in the number of customers and by the location of a number of large industrial plants in the area—large aluminum plants, important petro-chemical plants, new and enlarged pulp and paper mills, oil refinery expansions and a number of other sizable manufacturing plants. The System is now serving virtually all the potential customers in its territory and is dependent primarily on new construction for new customers. The industrial growth of the Middle South is continuing at a less spectacular, but satisfactory, pace.

One of the big current load-builders is the continuing growth in the use of air-conditioners, a trend which is expected to continue, probably at an accelerated rate, in the next few years. The economic feasibility of using the heat pump for year-round residential heating and cooling is being explored, though the management seems less enthusiastic over its possibilities than are some other southern utility executives.

Middle South Utilities last year earned $2.13 per share compared with $2.06 in 1953; this included 14 cents of net income from increased rates of Arkansas Power & Light, which are being collected under bond. The Arkansas Public Service Commission last year rejected the company's application for this increase but it is being appealed to the Pulaski County Circuit Court. If this lower Court does not reverse the Commission, the issue will be appealed to the State Supreme Court. The company thinks it has a strong case, based on the 1944 Commission order allowing it to earn 6% on prudent investment.

President Dixon estimates 1955 share earnings at $2.15 to $2.20 which would include 29 cents reflecting the rate increase. Without that increase earnings would dip below last year's figure. However, the 1955 estimate includes an increase in depreciation charges amounting to about 22 cents a share, and a decline of about 11 cents in the credit for interest on construction.

Middle South has recently been selling around 34 and paying $1.50 to yield 4.4%. The dividend rate has been increased four times since 1949 when it was $1.10. It appears a little doubtful that there will be an increase this year, but with further improvement in earnings another increase should be forthcoming, particularly if the Arkansas case is decided favorably.

Middle South Utilities has, of course, been deeply involved in the "Dixon-Yates" issue in Washington, having an 80% interest in the project to construct a big steam plant near West Memphis, Arkansas to supply 600,000 kw of firm power for AEC, via TVA. It is unnecessary to rehearse this story, which has been covered so thoroughly in the press (see this column for Nov. 4, 1954). Despite a vast amount of political agitation the two utilities, with the strong support of the Administration, are actively proceeding with the project. President Dixon of Middle South Utilities covered the topic thoroughly in a recent address before the New York Society of Security Analysts.

Two With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Fox and Henry Lee have become affiliated with Samuel B. Franklin & Company, 215 West Seventh Street.

Continued from page 3

Responsibility of FR and Bankers In Avoiding Inflation

go on as long as the bank has assets which the market or the Federal Reserve will take, and with the large amount of government bonds now held by commercial banks, there is capacity for a large inflation if the Federal Reserve Banks will consent to be the residual buyers of bonds. As a digression, it should be added that the same results will be achieved if insurance companies, savings banks, savings and loan associations, and non-financial business corporations sell their governments, of which they have ample supplies, to the Federal Reserve System. But to the loaning officer at his desk, these are remote considerations. The bank may be stimulating inflation to a significant degree, yet the officer is simply lending the bank's deposits and accommodating customers.

Banks Purchases of Government Bonds

But the banker may contribute to inflation in another way. If the United States Government sells new bonds directly to the commercial banks, this too results in creating credit out of thin air. The bank debits an asset, bonds, and credits a deposit account, the United States Government. Purchasing power which did not exist before now exists by virtue of a stroke of a pen (or some finoodling with I. B. M. cards), and the government can write checks to pay its bills. If the reserve ratio becomes the limiting factor, the bank, as before, can rediscount loans with the Federal Reserve, or sell bonds to it or borrow from it on the bonds. Thus the Federal Reserve System is set up to be a party to the inflation through aid to the commercial banks. When the United States Government sells bonds directly to individual savers and to corporations, there is no inflationary influence. Savers transfer their purchasing power to the government, and what they could have spent, the government spends in substitution. But if these bonds come into the hands of the banks later on, there is the same creation of credit as before outlined, with new deposits created or extant deposits increased, followed by sale to or borrowing from, the Federal Reserve Banks.

Of course, the Federal Reserve System itself may be used as an engine of inflation. If the government sells bonds directly to them, they handle them as the commercial banks do, debiting the bond account and crediting the United States Government's deposit account. A Federal Reserve Bank must keep a minimum legal reserve ratio of 25% against its deposits, but the actual reserves are so much greater than this, that there is considerable room for serious inflation. If the United States Government puts pressure on the System to buy the bonds as offered, to keep up their prices and to keep the interest rate down, the Federal Reserve then becomes the residual buyer, taking everything that the rest of the market will not absorb. And whether it is an insurance company, a savings bank, a savings and loan association, or a non-financial corporation which sells bonds to the Federal Reserve, the proceeds become part of the legal reserves of the commercial banks, and thereby the basis for new deposits, through new lending, by a greater sum. This happened on a significant scale prior to the accord between the United States Treasury and the Federal Reserve in March, 1951. This induced inflation is a serious indictment of the Truman Administration.

The Banker's Proper Attitude

What should be the banker's attitude toward inflation and his responsibility for preventing it? Should he prevent it or try to do so? After all, the bank is required to pay a certain number of dollars to a depositor, and what those dollars will buy may not seem to be his concern. From one point of view, the banker surely could welcome inflation. More dollars are created, a greater amount of deposits is owed, and more loans are made, all assets and liabilities rise in total, and profits increase. This greater leverage on a small common stock equity results in higher earnings available for surplus and/or dividends, and stockholders benefit.

However, this is not the whole story. The commercial banks of the nation hold over $70 billion in time and savings deposits of their customers. Their legal liability is limited to the number of dollars owed. But is there not a moral responsibility for the welfare of their clients? If they see the values of their savings being eroded away by higher and higher prices, should they be merely passive observers of unwise policies which are hurting their customers?

If a banker admits to responsibility for the welfare of his customers in so far as his policies are concerned, the banking system has a further responsibility. The immediate purpose of a bank, as of any other business institution in a capitalistic society, is to make profits by giving services for which it is paid. But the social justification for its existence, which it fulfills by good management, is to direct the flow of funds into profitable enterprises, which are profitable because, among other things, they satisfy wants.

The social objective of the banking system is to utilize to the best possible advantage the entire resources of the community or nation, both human and material. The loaning officer working at his desk may just be serving a good customer, but if many loaning officers all over the country, likewise accommodating good customers, have the effect of piling demand upon demand for scarce productive factors, so that prices rise faster than production can increase, then the banking system is not fulfilling its obligations properly. By inflating prices, it is inflicting loss on the many for the benefit of the few. Here is the conflict: What is to the interest of society is not to the interest of the individual bank. Society needs an orderly development of resources; the bank wants good loans.

Right here is where the Federal Reserve System holds the balance of power and provides that control which no bank, in the nature of things, is in a position to exert by itself. By the manipulation of the rediscount rate, the raising and lowering of the legal minimum reserve ratios, the purchase and sale of bonds, and by moral suasion and pressure, the system alters the reserve positions of banks and changes the costs of borrowing. For many businessmen the cost of borrowing is so unimportant that they will borrow at any interest rate. Rejection of such applications may be the only answer in such situations, and the banker may do that if the Federal Reserve is exerting pressure. However, at any interest rate, there are some firms on the margin of doubt about carrying out a project. At a higher rate, they would postpone or quit their plans, while at a lower rate, they would go ahead.

The refunding of bond issues to save 1% or less, and the substitution of low-interest bonds for higher-dividend preferred stocks in the recent period of low rates, provide examples in the field of investment banking; doubtless commercial bankers can cite numerous examples of their own. This control by the Federal Reserve has the advantage of being as impersonal as possible and can be carried out with less personal favoritism than any arrangement for voluntary rationing; and from it is likely to come the best allocation of resources.

How About the Federal Reserve?

Does the Federal Reserve ever need to be reminded of its duties? This is a brash question to ask and a difficult one to answer. The officers and staff of the system have a wealth of statistical and qualitative information at their disposal, and should be able to know when to encourage credit expansion and when to discourage it. Lowering the rediscount rate and the legal minimum reserve ratio and buying bonds in the open market may create the conditions favorable to an expansion of credit, but if business men do not wish to borrow and bankers are hesitant to lend, with depression on and markets sluggish, this encouragement may be ineffective. On the other hand, if the authorities wished to raise the rediscount rate and legal reserve ratio high enough and were willing to sell bonds in large amounts, even a sharp inflation could probably be brought to an end, maybe to a precipitate and disastrous end.

Responsible officers justly hesitate to adopt policies which might plunge the economy into depression or to let loose the forces of inflation, and it is both easy and judicious to be conservative and mild. Besides this, political considerations are not to be ignored even though the Federal Reserve is supposed to be above politics. Though the system could definitely curb an inflation, it is politically unpopular to do so. Cries of "Don't rock the boat"; "The condition of the country is fundamentally sound"; etc., etc., assail the authorities' ears as pressure groups are threatened by any change of policy, especially a constrictive one. Yet the Federal Reserve was an active force when the prosperity of the 1920's collapsed into the worst depression in our history in the 1930's, and when it did take faltering steps to curb speculative excesses, prominent people criticized it, although the criticism should have been that its efforts were too little and too late.

Again, during World War II, the system facilitated the granting of credit and sustained a market for government bonds. That the war effort must come first was beyond question, but need all prudent controls be cast to the winds in an all-out effort to win? And in the postwar period, including the early part of the Korean police action, when the United States Treasury dominated the Federal Reserve's open-market policies, the system needed strong reminders of its duties to free itself and to follow a different policy. It did so finally in the accord of March, 1951, but by then the damage had been done. Again, too little and too late.

Hindsight enables us to look back and to see that in the Revolutionary War, the War of 1812, the Civil War, World War I, World War II, and in the Korean episode, we made the same mistakes in fiscal and monetary policies and had the same old inflation. War always generates purchasing power in the production of war material, which purchasing power cannot be spent on civilian goods because the capacity of factories must be devoted to the war effort which precludes the production of the accustomed commodities of peacetime. The Federal Reserve cannot be held responsible for this. The American people were not willing to be taxed to pay for the cost of the war as it was being fought, and the generation of a large increase in public debt presented the problem of monetary control. But we may question whether the Federal Reserve did not go too far in maintaining an artificial market for bonds during the war, and thus make possible more increase in credit than was necessary.

After the war it was understandable that consumers would want the things they had had to do without, and the temperament of the American people is such that they want what they want when they want it. It is understandable too that business men would want to take advantage of this enormous pent-up demand. The increased buying power flooded onto a market that could not step up the output of civilian goods proportionately in a short time. The only result could be an increase in price. Here the Federal Reserve might have held a more restraining control through its open market operations, so that the increase in capacity and output could have been accomplished with less strain and smaller increase in prices, and with less danger of over doing the building up of capacity.

The value of government bonds held by commercial and savings banks of the nation decrease from $101.2 billion on Dec. 31, 1945 to $68.1 billion on June 30, 1953, while similar holdings by the life insurance companies decreased from a high of $21.6 billion in 1946 to $9.8 billion in 1953. The Federal Reserve Banks increased their holdings of government bonds from $2.2 billion on Dec. 31, 1941, to $24.2 billion on Dec. 31, 1945, then decreased them to $18.8 billion on Dec. 31, 1946, and from there the total rose to $25.6 billion on Dec. 31, 1953.

Obviously the Federal Reserve did not buy all the bonds which the banks and the insurance companies sold, but by being the residual buyer in the market, with a policy of holding bond prices up and yields down, it encouraged business holders of the bonds to sell out and make investments in forms which promised higher yields. By so doing, the Federal Reserve materially aided the inflationary forces which increased costs and prices significantly. And it is yet to be seen whether this policy of easy credit has not resulted in investment in more plant and equipment than the markets of many firms can justify in the event of a let-down in business. Indeed, the automobile industry is producing at the rate of 8.5 million cars annually, while the most optimistic estimates by those in the industry have not exceeded 5.7 million.

A leading purpose of the Federal Reserve System when it was established was to ease seasonal factors which sometimes led to distress, by rediscounting short-term self-liquidating paper and buying bonds on the open market, to build up banks' reserves to tide them over stringencies. Then with the emergency past, the credit expansion was reversible. But with short-term paper less important, and with government bonds as collateral on advances, the credit expansion is not necessarily reversible, certainly not automatically so. Moreover, in the course of more than 20 years, the safeguards which were supposed to control credit have been progressively weakened (each time with some plausible, almost convincing excuse), so that extra care is needed to protect the dollar.

The Government Can Nullify Inflationary Curbs

But all that the banks can do, and all that the Federal Reserve Banks can do, may be nullified by the United States Government itself. A budgetary deficit is the greatest aid to inflation that we have. It is due to deficits that the German mark and the French franc went to their destruction after World War I and similar currency disasters have occurred since World War II. If Congress is going to pass out aid to various pressure groups on one humanitarian pretext after another, we cannot expect the dollar to hold its value. These government programs are certainly inflationary if the budget is not balanced, and may be so if it is: government guarantee of loans; lending by governmental agencies (would Congress or an administrator of such an agency ever link this with the general credit conditions?); gifts or loans to foreign countries; farm price supports; stockpiling of metals or other goods, whatever the reason; subsidies to shipbuilding and ship operation, and to aviation; and aids to state and local governments for roads, hospitals, schools, and other public works. Whoever gets the benefit of one program, it is at the expense of other taxpayers, and because government bonds are likely to eventuate, the basis for inflation is laid.

President Eisenhower's proposed highway aid is quite unsound. Creating a separate agency to issue revenue bonds may tend to conceal the issue, but of total expenditures, however manipulated, simply add to the deficit, just as if it were part of the regular budget. France tried the expediency of segregating extraordinary expenses (largely for defense, I believe) from the regular budget, but the franc continued to deteriorate.

But what can the banks do about it? First of all they can have sound economists who can see the evils of inflation which erode the values of insurance of all kinds, annuities and pensions, savings, and fixed-value investments, and oppresses those on relatively fixed incomes. Then they can publicize through every means at their disposal, the immediate and ultimate effects of unsound programs. The "Guaranty Survey," published monthly by the Guaranty Trust Company, New York, has an excellent lead article each month written in a language all can understand. But it is read by too few. If all banks, individually and through their associations, and all insurance companies would carry such brief analyses in leaflet form (Walt Disney could help out here), to depositors in monthly statements, to stockholders with dividend checks and periodic reports, to borrowers along with the official papers, and to policyholders, we could have an educational force which would demand sound financing.

Also, banking associations should take up the work. After all, what we want is the sound and orderly development of all our resources, goods and services produced at greatest efficency and lowest cost and offered at prices people can pay. Inflation may seem to stimulate business at first, but it is hard to stop, once begun, and in the long run, it is destructive. All financial institutions can do more than they are doing to inculcate ideals of sound finance far and wide.

H. Hentz Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Murray Whitman has become connected with H. Hentz & Co., 9680 Santa Monica Boulevard.

Continued from page 15

News About Banks and Bankers

President William L. Maude, according to the Newark "Evening News" of March 22, which also said in part: "Mr. Webber, who has been with the bank since 1926, has specialized in recent years in mortgage servicing operations, serving as Supervisor of Insurance since 1950. He will continue with the mortgage servicing department in his new post."

* * *

The retirement of William Fulton Kurtz as Board Chairman and Chief Executive Officer of **The Pennsylvania Company for Banking and Trusts, of Philadelphia, Pa.,** effective on June 30, was announced on March 28 by the board of directors. Mr. Kurtz will continue as a Director of the company and will serve as Chairman of the Executive Committee and a member of the Trust Committee of the Board. William L. Day was elected Chairman and Executive Head of the bank to succeed Mr. Kurtz upon his retirement. William F. Kelly, Executive Vice-President, was elected Mr. Day's successor as President and Chief Administrative Officer. Commenting upon his retirement, Mr. Kurtz said:

"I will have spent 47 years in the banking business this June, 37 of them as a commercial bank officer. I am looking forward to turning over the active management to my younger associates, Mr. Day, who will take my place as Chairman and Chief Executive Officer, and Mr. Kelly, who will become President and Mr. Day's next in command."

Since 1938, when Mr. Kurtz was elected President of The Pennsylvania Company, the bank's deposits have increased from $232,068,000 to $743,475,000, total capital funds from $25,564,000 to $63,903,000, total resources from $258,445,000 to $821,208,000, and trust and custody funds from $650,000,000 to over $1,600,000,000.

Mr. Kurtz was elected Vice-President and Director of The Pennsylvania Company in 1930, when the **Colonial Trust Company,** of which he was President, was merged with the bank. In 1934, he was elected Executive Vice-President, and four years later he was named President. He was elected Chairman of the Board and Chief Executive Officer in 1950, and has continued in that post since his retirement as President in 1952.

Mr. Day joined the company in 1949 as Vice-President and that same year was elected to the board. He was named Executive Vice-President in February, 1950, and was elected President and Chief Administrative Officer in September, 1952.

Mr. Kelly started with the company in 1931 when the **Continental Equitable Title and Trust Company** with which he was associated was absorbed by the bank. He was elected Assistant Vice-President in 1939, and in 1945 he was elected Vice-President in charge of the Time Sales Division. He was elected Senior Vice-President in 1950, and Executive Vice-President in 1952.

* * *

New stock, to the amount of $135,300 brought about an increase in the capital of the **Peoples National Bank of Charlottesville, Va.,** from $1,353,000 to $1,488,300. The enlarged capital became effective March 3.

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The Van Wert National Bank of Van Wert, Ohio, which increased its capital in October from $150,000 to $200,000 by a $50,000 stock dividend, as noted in these columns Dec. 2, page 2261, has further enlarged its capital, adding $50,000 thereto by the sale of new stock and making it $250,000 as of Feb. 23.

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On Jan. 31 the **Oshkosh National Bank of Oshkosh, Wis.,** reported a capital of $300,000, the amount having been enlarged from $200,000 following the declaration of a stock dividend of $100,000.

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The Oklahoma National Bank of Oklahoma, reported a capital as of Jan. 19 of $300,000, the amount having been increased from $225,000 by a stock dividend of $75,000.

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A capital of $500,000 is reported by the **Alabama National Bank of Montgomery, Ala.,** increased on Jan. 14 from $400,000 following the declaration of a stock dividend of $100,000.

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The board of directors of **The Montana National Bank of Billings, Mont.** announced that effective March 22, the bank changed its name to the **First National Bank in Billings.**

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Under date of Jan. 25, the **Idaho First National Bank of Boise, Idaho** augmented its capital to the extent of $700,000, by a stock dividend of that amount, as a result of which the capital was enlarged from $3,500,000 to $4,200,000. The plans to increase the capital were referred to in these columns Jan. 13, page 175.

* * *

Victor H. Winfrey has been elected Assistant Vice-President of **California Bank, of Los Angeles,** and is assigned to the Out-of-Town Division, Frank L. King, President, announced. He was formerly Assistant Vice-Prseident of the **Wells Fargo Bank and Union Trust Company, San Francisco,** having been associated with than bank since 1935.

* * *

The First National Trust and Savings Bank of San Diego, Cal., opened its 13th branch, including the main office, in the North Park district of the city recently, it was announced by Anderson Borthwick, President. The new office, chartered as the North Park Drive-In Branch, is one of the three new structures to be completed this year. A branch in Chula Vista is expected to start operations in a few months, and construction will begin on a new building to house the Lemon Grove branch in the near future. The new office was built on the opposite corner of the same block as the North Park branch for greater customer service. F. Marshall White is in charge of the new branch and will also serve as Escrow Officer.

* * *

James K. Lochead, President of the **American Trust Company,** of **San Francisco,** announces the election of Harris C. Kirk as Executive Vice-President and Director of the company as of Mar. 10. In our issue of Feb. 10, page 729, we reported the merger of the **Monterey County Trust & Savings Bank of Salinas, Calif.** into the **American Trust Co.** under the name of the latter.

* * *

The United States National Bank of San Diego, Calif. reported a capital of $1,785,000 on Jan. 24, the amount having been increased from $1,700,000 by a stock dividend of $85,000.

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J. Gordon McIntosh was elected a director of **The Bank of California, N. A., of San Francisco** at the regular directors meeting held Mar. 8. Mr. McIntosh, is Vice-President and San Francisco manager of Alexander & Baldwin, Ltd. and a director of that company. He is also Vice-President of Hawaiian Commercial & Sugar Co., etc. He is the son of the late C. K. McIntosh who was formerly Chairman of the Board of The Bank of California. The Board of Directors of the bank also declared Dividend No. 409 of 50 cents per share payable April 15, 1955 to shareholders of record at the close of business April 8.

* * *

The new **Chico, Calif.,** office of the **First Western Bank and Trust Company of San Francisco, Calif.** opened on Mar. 21, T. P. Coats, Chairman of the bank's board of directors, announced. The Chico office brings the number of First Western offices to 56 and the number of California communities served by the bank to 41. The bank's 55th office was placed in operation when the former **Indian Valley Bank of Greenville, Calif.** was taken over and converted into an office of the First Western on Mar. 16. J. W. Reinhardt will manage the new Chico office, which is located at 321-325 Main Street. Fred C. Williams has been named Assistant manager. A reference to the Chico office appeared in our Mar. 10 issue, page 1177.

* * *

The First Western Bank and Trust Company of San Francisco on Mar. 8 filed a formal application with the State Superintendent of Banks for permission to open a new banking office in Fresno, Calif., T. P. Coats, Chairman of First Western's board, announced.

The First Western Bank and Trust Company on Mar. 9, broke ground for a new banking building on a new site in Mountain View, Calif. Robert Lewis is Manager of First Western's Mountain View office.

* * *

Henry J. Court, Manager of the Temple City office (Los Angeles County) of the **First Western Bank and Trust Company, of San Francisco, Calif.,** has been promoted to Vice-President and named a senior member of the bank's business development department in San Francisco. R. A. Peterson, Chairman of the bank's Executive Committee, said Mr. Court's transfer to the headquarters office would be effective immediately. Mr. Court formerly was President of the **Temple City National Bank** before it was consolidated with the First Western, and prior to that he was Vice-President of the **Republic National Bank, Dallas, Texas.** He has been in the banking business since 1918.

* * *

The new Perris Office of **Citizens National Trust and Savings Bank of Riverside, Calif.,** now under construction, will be open for business May 9, according to W. E. Squires, Vice-President and Manager of the Perris Office. Open House will be held on Saturday, May 7.

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Lynn T. Hannahs, Jr., formerly Vice-President of the **Continental Illinois National Bank and Trust Company, Chicago, Ill.,** was elected Vice-President of **California Bank, Los Angeles, Calif.,** at a meeting of the Board of Directors on March 14, Frank L. King, President, announced. Mr. Hannahs will be in charge of the Bank's Out-of-Town Division.

Mr. Hannahs was with the **Commercial National Bank and Trust Company, New York,** from 1938 to 1948, when he became associated with the Continental Illinois National Bank.

* * *

Sale of the assets of the **Indian Valley Bank of Greenville, Calif.,** to the **First Western Bank and Trust Company, San Francisco, Calif.,** has been approved by regulatory authorities, and the bank opened March 16 as the new Indian Valley office of the First Western.

LETTER TO THE EDITOR:

Finds Fault with Secretary Burgess On Sound Money Principles

Frederick G. Shull, of Gold Standard League, says Mr. Burgess seems unaware of the principles of sound money held by Adam Smith, Alexander Hamilton and Daniel Webster.

Editor, Commercial and Financial Chronicle:

On Feb. 25, 1955, Mr. W. Randolph Burgess, Under Secretary of the Treasury, addressed a conference of "Savings Banks Association and Real Estate and Building Industries" in Brooklyn—as covered in your March 3 issue, under the heading "Opportunity Unlimited." Here are some very interesting excerpts from Mr. Burgess' remarks on that occasion:

Frederick G. Shull

"Next to defense, our great objective is sound, honest money on which the people of the country can rely, in which they may have confidence. . . . Sound money is a basic essential for keeping the country's economic life on an even keel without a mass of direct controls. It is necessary to avoid inflation and deflation, which rob the saver and the enterpriser of the fruits of their labor. . . . There is a moral quality in sound, honest money. . . . Sound money is a synonym for justice and integrity."

Up to this point, no truer words have ever been spoken than those emanating from Mr. Burgess, as quoted above. However, he goes on to say:

"The methods of achieving sound money are not new. They have been tried and proved over many years and in many circumstances of the world's history . . . the principles remain as demonstrated over many years. These principles are:

"First, a budget under control;

"Second, a central banking system dedicated to give sound guidance to monetary policies; and,

"Third, the management of the public debt in the interest of monetary stability."

If those are the principles of "sound money," we have certainly been led astray by the great monetary experts of the past; for they are not the principles of "sound money" enunciated by recognized monetary leaders of the past, such as Adam Smith, Alexander Hamilton, and Daniel Webster — to name just a few of those leaders. I prefer to accept the views of Daniel Webster as to what constitutes "sound money," as proclaimed by him in the U. S. Senate on Feb. 22, 1834. Following, is Daniel Webster's conception of "sound money":

"I know, indeed, that all paper ought to circulate on a specie basis; that all bank-notes, to be safe, must be convertible into gold and silver at the will of the holder. . . . Such a currency is not paper money in an odious sense. It is not like the Continental paper of Revolutionary times; it is not like the worthless bills of banks which have suspended specie payments. On the contrary, it is the representative of gold and silver, and convertible into gold and silver on demand, and therefore answers the purposes of gold and silver; and so long as its credit is in this way sustained, it is the cheapest, the best, and the most convenient circulating medium. I have already endeavored to warn the country against irredeemable paper; against the paper of banks which do not pay specie for their own notes; against that miserable abominable, and fraudulent policy, which attempts to give value to any paper of any bank, one single moment longer than such paper is redeemable on demand in gold and silver."

Those are the words of Daniel Webster, spoken 120 years ago. They were true when they were spoken; they were true one-hundred years later, when we went off the Gold Standard in 1933; and they are still true today. And yet, we continue to operate with "irredeemable paper," which Webster regarded as "miserable, abominable, and fraudulent." And we are doing that, notwithstanding the fact that the Administration, in its 1952 platform, promised to restore our currency to "a dollar on a fully convertible gold basis."

Unfortunately, Mr. Burgess seems unaware of these "sound money" principles; for he ascribes to Alexander Hamilton the three Burgess principles set forth earlier herein — and which Hamilton probably would not recognize as having originated with him. Here is how Mr. Burgess gives Hamilton "credit" for the modern, New Deal type of money:

"Again let me say that these principles are not new. They are putting into effect great American traditions established at the very founding of the republic by Alexander Hamilton and carried forward by great men of all parties in the proud history of the country."

It must be said that the three Burgess principles cannot properly be attributed to Alexander Hamilton; they were not "carried forward" by John Sherman, one of the founders of the Republican Party; and they were never "carried forward" by Grover Cleveland, a great leader of the Democrat Party. It would be interesting to learn who those "great men of all parties" were, who are alleged to have "carried forward" the three principles of "sound money" as enunciated by Mr. Burgess.

Why, it was Mr. Burgess who appeared as an opponent of a gold-standard bill, at a hearing on March 29, 1954; but who voiced one of the best recommendations for the Gold Standard I have yet seen. On that occasion Mr. Burgess said:

"From the founding of our nation until 1933, with interruptions of serious war, the dollar was firmly attached to gold. The gold value of the dollar, established under Washington and Hamilton, was not changed, except fractionally, for over 140 years. The confidence in the value of the dollar which this helped instill in our people and the people of other countries was one of the foundations of the Nation's spectacular success."

FREDERICK G. SHULL,
Connecticut State Chairman,
Gold Standard League
2009 Chapel Street
New Haven 15, Conn.
March 12, 1955.

Joins Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

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

Continued from page 4

The State of Trade and Industry

ings should approximate 105,600,000 net tons, the second highest yearly out-turn. The record was 111,600,000 tons in 1953. A 105,600,000-ton output would be equal to 83.9% of the 1955 capacity of 125,800,000 tons.

The upward thrust in the first quarter had several origins. To begin with consumers quit living off inventories and began buying in line with consumption. Consumption increased as business activity quickened. Export demand has been good and strong domestic business activity, lengthening delivery dates on steel and possible price increases inspired some rebuilding of steel inventories, observes this trade journal.

High steel consumption and inventory rebuilding will continue through most of the second quarter, since the quarter is already booked heavily. The production rate will hover around 95% of capacity to make it the biggest quarter of the year. Output, it adds, should average 92% of capacity and yield 28,900,000 net tons of steel for ingots and castings. A seasonal decline should set in by late June.

Setting forth its prediction, "Steel" declares, seasonal lethargy will be most pronounced in mid-August, when ingot output will be at the year's low point of 75% of capacity, compared with an average of 63.1% for August, 1954. Buying may lag behind consumption. This quarter's output should average around 77% of capacity and yield 24,200,000 tons of steel for ingots and castings. The production trend will be down in the first half of this quarter and up in the last half. Orders already are being booked for the quarter, it reports.

The uptrend will continue in the fourth quarter to a peak of 85% of capacity. The spark will be production of new model autos. Steel output will slow down for the year-end holidays. Steel consumption and output will equal one another this quarter. The quarter's production will average 80% of capacity and total 25,200,000 net tons of steel for ingots and castings, it further reports.

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 93.6% of capacity for the week beginning March 28, 1955, equivalent to 2,258,000 tons of ingots and steel for castings as compared with 93.7% (revised) and 2,262,000 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 91.9% and production 2,218,000 tons. A year ago the actual weekly production was placed at 1,648,000 tons or 69.1%. 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 Shows Further Rise the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 26, 1955, was estimated at 9,907,000,000 kwh., according to the Edison Electric Institute.

This week's output advanced 93,000,000 kwh. above that of the previous week, when the actual output stood at 9,814,000,000 kwh., and increased 1,416,000,000 kwh., or 16.7% above the comparable 1954 week and 1,832,000,000 kwh. over the like week in 1953.

Car Loadings Hit By Labor Strife Drop 1.6% In Latest Week

Loadings of revenue freight for the week ended Mar. 19, 1955, which was affected by labor trouble on several railroads in the Southern District, decreased 10,431 cars, or 1.6% below the preceding week, according to the Association of American Railroads.

Loadings for the week ended March 19, 1955, totaled 656,117 cars, an increase of 46,158 cars, or 7.6% above the corresponding 1954 week, but a decrease of 44,948 cars or 6.4% below the corresponding week in 1953.

U. S. Automotive Capacity Expected to Set a New All-Time Peak in Latest Week

The automobile industry for the latest week ended March 25, 1955, according to "Ward's Automotive Reports" assembled an estimated 177,843 cars, compared with 176,194 (revised) in the previous week. The past week's production total of cars and trucks amounted to 204,692 units, an increase above the preceding week's output of 3,189 units, states "Ward's." Last week's car output exceeded that of the previous week by 1,649 cars. In the corresponding week last year 117,058 cars and 22,151 trucks were assembled.

New all-time peaks set by United States-Canadian car and truck manufacturers two weeks ago were expected to be eclipsed in the latest week, the above agency reports.

Last week, the agency reported there were 26,849 trucks made in the United States. This compared with 25,309 in the previous week and 22,151 a year ago.

Canadian output last week was placed at 10,310 cars and 1,775 trucks. In the previous week Dominion plants built 9,872 cars and 1,401 trucks, and for the comparable 1954 week 8,283 cars and 2,094 trucks.

Business Failures Rise Slightly in Latest Week

Commercial and industrial failures edged up to 232 in the week ended March 24 from 226 in the preceding week, states Dun & Bradstreet, Inc. In spite of this increase, casualties remained below the 277 occurring a year ago, although exceeding the 1953 toll of 188. Mortality continued 34% below the prewar level of 350 in the similar week of 1939.

All of the week's upturn occurred among failures involving liabilities of $5,000 or more, which rose to 200 from 190 last week. The number of concerns failing with liabilities in excess of $100,000 increased to 22 from 14 in the preceding week.

Failures among manufactureres rose to 60 from 49, among retailers to 113 from 107 and among service businesses to 19 from 15. On the other hand, casualties in wholesaling fell to 19 from 30 and in construction dipped to 21 from 25. Failures were lower than last year in all lines except manufacturing. Both wholesale trade and construction had notable declines from the 1954 level.

Geographically, all of the increases in the week were concentrated in the East North Central, West South Central and the Pacific States. Mortality dipped or held steady in all of the six other regions, including the Middle Atlantic States. Only the Pacific and Mountain States reported more failures than a year ago; considerable declines from 1954 prevailed in other regions.

Wholesale Food Price Index Ends Seven-Week Decline

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned slightly higher the past week, marking the first advance in eight weeks. The index rose to $6.55 as of March 22, from the sixteen-month low of $6.53 recorded a week earlier. Compared with $7.34 a year ago, the current level shows a drop of 10.8%.

Moving higher in price last week were corn, beef, bellies, lard, sugar, coffee, rice, steers, hogs and lambs. Lower were wheat, rye, oats, cotton-seed oil, tea, cocoa, raisins, currants and prunes.

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 Holding to a Narrow Range Edged Slightly Higher the Past Week

The general commodity price level moved in a narrow range and edged slightly upward during the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 275.88 on March 22, comparing with 274.56 a week previous and with 278.57 on the corresponding date last year.

Grain markets were irregular and finished mostly lower despite a rally in the latter part of the week. Following the upturn of last week, wheat turned downward in the face of such bullish influences as the troubled political situation in China and reports of continued drought and high winds in some sections of the Winter wheat belt.

According to a United States Department of Agriculture report issued at the weekend and based on intentions to plant as of March, a Spring wheat crop of 177,000,000 bushels is in prospect for this year.

If realized, this would compare with 179,044,000 bushels produced last year. Corn showed independent firmness particularly in the cash markets, reflecting inadequate marketings for trade needs. Daily average sales of grain and soybean futures on the Chicago Board of Trade last week totaled 43,000,000 bushels, against 55,200,000 the week before and 42,900,000 a year ago.

Hard wheat bakery flours continued in slow demand, reflecting a lack of confidence in prices on the part of most bakers and jobbers who still held fairly good balances to draw upon. The world sugar market continued active and strong under the impetus of heavy demand for Cuban raws from Russia and increased interest shown by other countries.

Cocoa moved irregularly and closed slightly lower for the week. Easiness reflected slow manufacturer demand, weakness in the London market and a further reduction in British Cocoa Marketing Board asking prices. Warehouse stocks of cocoa increased and totaled 147,220 bags, up from 143,419 a week earlier and 120,520 a year ago. Coffee displayed a firmer undertone aided by improved roaster demand for spot supplies.

Shipments of coffee from Brazil were up sharply for the week.

Trading in lard was light but prices firmed up at the close influenced by an upturn in hog values.

The latter market was aided by the smallest receipts since last October and improved demand for wholesale pork cuts.

Spot cotton prices closed higher after fluctuating over a moderate range.

Early easiness in the market was attributed to uncertainty over the Government surplus disposal program while strength in late dealings reflected buying stimulated by expectations of an increase in loan entries.

Consumption of cotton during the short February month, according to the Census Bureau, totaled 720,815 bales, or a daily average of 36,645 bales. This was up slightly from the January average of 35,564 bales and compared with 34,852 in February last year. Reported sales of cotton in the fourteen markets declined sharply last week to 70,100 bales, from 90,800 the week previous and 151,800 two weeks ago.

Trade Volume Registered Sharp Drop the Past Week As Storms and Floods Deterred Shoppers

Rain, snow and floods in various parts of the country hampered shopping in the period ended on Wednesday of last week. The dollar volume of retail trade was considerably below the level of the preceding week but well above that of a year ago.

Store-wide promotions boosted consumer buying in some Eastern cities and those sections enjoying Spring weather reported heavy retail activity.

The total dollar volume of trade in the week was estimated by Dun & Bradstreet, Inc., to be 3 to 7% above a year ago. Regional estimates varied from the corresponding 1954 levels by the following percentages: New England +1 to +5; South and Midwest +2 to +6; East +3 to +7; Southwest +4 to +8; Northwest +5 to +9 and Pacific Coast +6 to +10.

Attention was focused on automobiles last week with heavy buying of both new and used models. Although dealers' total inventories were close to the record level of a year ago, at the current rate of retail sales, stocks now on hand would last only thirty days. In addition, purchases of automobiles are usually about 25% higher in both April and May than in March.

Some dealers were hesitant to predict a traditional pattern of buying in coming months, however, feeling that large sales earlier in the year might adversely affect the traditionally heavy Spring selling season.

A recent survey of consumer buying intentions by the Federal Reserve Board indicated that about the same number of persons plan to buy new automobiles in 1955 as did last year, when 5,500,000 new models were sold. A larger number of used car sales are expected than in 1954. The past week, trade in gasoline again increased and slight price rises were reported in some areas.

Spring apparel sold well, but there was a decline in the demand for food. Sales of household goods, though above the level of a year ago, registered a moderate decrease from last week.

The dollar volume of wholesale orders in the week was essentially unchanged from the level of the preceding week as declines in some lines offset rises in others.

As during much of the time since the first of January, most wholesalers had larger sales than in the comparable period a year earlier.

Department store sales on a country wide basis as taken from the Federal Reserve Board's index for the week ended March 19, 1955, advanced 14% from the like period last year. In the preceding week March 12, 1955, a rise of 11% was registered from that of the similar period of 1954, while for the four weeks ended March 19, 1955, an increase of 11% was recorded. For the period Jan. 1, 1955 to March 19, 1955, a gain of 8% was registered above that of 1954.

Retail trade in New York City the past week was hampered by cold and inclement weather and as a consequence sales volume was only about 3% ahead of the like period a year ago as against 10% in the week preceding.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended March 19, 1955, rose 10% above that of the like period of last year. In the preceding week, March 12, 1955, an increase of 4% (revised) was recorded. For the four weeks ending March 19, 1955, an increase of 5% occurred. For the period Jan. 1, 1955 to March 19, 1955 the index advanced 2% from that of 1954.

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)	Apr. 3	§93.6	*93.7	91.9	69.1
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 3	§2,258,000	*2,262,000	2,218,000	1,648,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 18	6,858,400	6,845,300	6,767,300	6,461,150
Crude runs to stills—daily average (bbls.)	Mar. 18	¶7,474,000	7,476,000	7,511,000	7,013,000
Gasoline output (bbls.)	Mar. 18	24,443,000	24,601,000	24,404,000	22,979,000
Kerosene output (bbls.)	Mar. 18	2,801,000	2,579,000	2,543,000	2,250,000
Distillate fuel oil output (bbls.)	Mar. 18	11,872,000	12,443,000	12,640,000	10,607,000
Residual fuel oil output (bbls.)	Mar. 18	8,538,000	8,532,000	8,925,000	8,399,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 18	183,953,000	183,424,000	176,877,000	177,620,000
Kerosene (bbls.) at	Mar. 18	19,053,000	18,427,000	20,170,000	17,653,000
Distillate fuel oil (bbls.) at	Mar. 18	63,735,000	63,832,000	71,019,000	62,612,000
Residual fuel oil (bbls.) at	Mar. 18	44,801,000	45,113,000	46,710,000	44,507,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 19	656,117	666,548	655,035	609,959
Revenue freight received from connections (no. of cars)	Mar. 19	624,209	648,638	632,567	590,590
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 24	$544,837,000	$374,831,000	$312,218,000	$283,564,000
Private construction	Mar. 24	410,742,000	220,816,000	207,823,000	163,272,000
Public construction	Mar. 24	134,095,000	154,015,000	104,395,000	120,292,000
State and municipal	Mar. 24	107,524,000	94,652,000	78,292,000	99,031,000
Federal	Mar. 24	26,571,000	59,363,000	26,103,000	21,261,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 19	8,050,000	*8,380,000	8,935,000	6,908,000
Pennsylvania anthracite (tons)	Mar. 19	402,000	442,000	598,000	510,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 19	108	102	90	95
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 26	9,907,000	9,814,000	9,725,000	8,491,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 24	232	226	178	277
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 22	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Mar. 22	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Mar. 22	$37.50	$37.50	$37.00	$24.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 23	32.700c	32.700c	32.700c	29.650c
Export refinery at	Mar. 23	39.000c	38.580c	36.250c	29.200c
Straits tin (New York) at	Mar. 23	91.500c	91.125c	91.250c	94.000c
Lead (New York) at	Mar. 23	15.000c	15.000c	15.000c	13.000c
Lead (St. Louis) at	Mar. 23	14.800c	14.800c	14.800c	12.800c
Zinc (East St. Louis) at	Mar. 23	11.500c	11.500c	11.500c	9.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 29	96.86	97.55	96.38	99.99
Average corporate	Mar. 29	109.42	109.24	109.42	110.88
Aaa	Mar. 29	112.93	112.75	112.56	116.02
Aa	Mar. 29	110.70	110.70	110.88	113.12
A	Mar. 29	109.60	109.60	109.79	110.34
Baa	Mar. 29	104.48	104.31	104.48	104.48
Railroad Group	Mar. 29	107.62	107.62	107.62	109.60
Public Utilities Group	Mar. 29	110.15	109.97	109.97	110.70
Industrials Group	Mar. 29	110.52	110.52	110.34	112.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 29	2.73	2.68	2.76	2.50
Average corporate	Mar. 29	3.20	3.21	3.20	3.12
Aaa	Mar. 29	3.01	3.02	3.03	2.85
Aa	Mar. 29	3.13	3.13	3.12	3.00
A	Mar. 29	3.19	3.19	3.18	3.15
Baa	Mar. 29	3.48	3.49	3.48	3.48
Railroad Group	Mar. 29	3.30	3.30	3.30	3.19
Public Utilities Group	Mar. 29	3.16	3.17	3.17	3.13
Industrials Group	Mar. 29	3.14	3.14	3.15	3.03
MOODY'S COMMODITY INDEX	Mar. 29	404.0	399.8	397.3	436.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 19	251,820	254,012	249,452	211,110
Production (tons)	Mar. 19	273,946	269,618	262,282	245,325
Percentage of activity	Mar. 19	97	95	95	92
Unfilled orders (tons) at end of period	Mar. 19	478,707	504,708	419,484	375,158
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 25	107.23	107.33	107.18	108.03
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	Mar. 12	1,564,520	1,493,102	1,644,715	905,313
Dollar value	Mar. 12	$82,682,149	$76,928,678	$84,358,655	$40,655,258
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 12	1,701,240	1,338,805	1,488,175	977,923
Customers' short sales	Mar. 12	6,804	4,690	9,051	7,792
Customers' other sales	Mar. 12	1,694,436	1,334,115	1,479,124	970,131
Dollar value	Mar. 12	$88,023,370	$63,267,057	$70,812,044	$41,514,314
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 12	574,580	331,290	376,080	332,440
Short sales	Mar. 12				
Other sales	Mar. 12	574,580	331,290	376,080	332,440
Round-lot purchases by dealers—					
Number of shares	Mar. 12	397,150	513,700	552,910	256,550
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	Mar. 5	496,210	405,610	728,590	424,290
Other sales	Mar. 5	15,390,160	12,239,010	16,459,410	10,113,300
Total sales	Mar. 5	15,886,370	12,644,620	17,188,000	10,537,590
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 5	1,596,310	1,312,680	1,909,780	1,075,860
Short sales	Mar. 5	284,120	253,690	396,330	215,930
Other sales	Mar. 5	1,386,200	1,051,370	1,615,250	874,860
Total sales	Mar. 5	1,670,320	1,305,060	2,011,580	1,090,790
Other transactions initiated on the floor—					
Total purchases	Mar. 5	242,280	181,660	388,250	373,000
Short sales	Mar. 5	20,300	12,700	46,900	22,500
Other sales	Mar. 5	305,260	238,390	348,470	346,900
Total sales	Mar. 5	325,560	251,090	395,370	369,400
Other transactions initiated off the floor—					
Total purchases	Mar. 5	532,426	461,253	619,250	457,126
Short sales	Mar. 5	70,990	52,110	139,395	41,000
Other sales	Mar. 5	841,252	664,625	748,525	377,675
Total sales	Mar. 5	912,242	716,735	887,920	418,675
Total round-lot transactions for account of members—					
Total purchases	Mar. 5	2,371,016	1,955,593	2,917,280	1,905,986
Short sales	Mar. 5	375,410	318,500	582,625	279,430
Other sales	Mar. 5	2,532,712	1,954,385	2,712,245	1,599,435
Total sales	Mar. 5	2,908,122	2,272,885	3,294,870	1,878,865
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 22	110.1	110.0	110.3	110.8
Farm products	Mar. 22	93.0	*92.3	93.7	99.6
Processed foods	Mar. 22	102.3	101.8	103.2	104.8
Meats	Mar. 22	82.3	80.5	85.4	92.0
All commodities other than farm and foods	Mar. 22	115.5	115.5	115.4	114.4

*Revised figure. ¶Includes 778,000 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.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN RAILWAY CAR INSTITUTE—			
Month of February:			
New domestic freight cars delivered	2,422	2,008	3,974
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of January (in thousands)	$163,382,000	$186,317,000	$154,281,000
BUSINESS INCORPORATION (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of February	11,369	13,181	8,533
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of January (millions of dollars):			
Manufacturing	$43,600	*$43,700	$46,400
Wholesale	11,500	11,500	11,800
Retail	22,200	*22,100	22,500
Total	$77,400	*$77,300	$80,700
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Feb. 28 (000's omitted)	$703,000	$713,000	$701,000
COPPER INSTITUTE—For month of February:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	99,461	*95,810	74,731
Refined (tons of 2,000 pounds)	123,162	123,840	103,933
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	108,503	113,949	89,017
Refined copper stocks at end of period (tons of 2,000 pounds)	44,579	45,982	118,720
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average=100—Month of February:			
Sales (average monthly), unadjusted	73	83	75
Sales (average daily), unadjusted	81	84	83
Sales (average daily), seasonally adjusted	100	106	102
Stocks, unadjusted	106	100	104
Stocks, seasonally adjusted	109	112	107
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of January:			
All manufacturing (production workers)	12,653,000	*12,553,000	12,906,000
Durable goods	7,314,000	*7,221,000	7,520,000
Nondurable goods	5,339,000	*5,332,000	5,386,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	102.3	*101.5	104.3
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	144.8	*141.8	140.5
Estimated number of employees in manufacturing industries—			
All manufacturing	16,082,000	*15,965,000	16,322,000
Durable goods	9,271,000	*9,166,000	9,480,000
Nondurable goods	6,811,000	*6,799,000	6,842,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of February:			
Weekly Earnings—			
All manufacturing	$74.93	$73.97	$71.28
Durable goods	80.75	80.16	76.38
Nondurable goods	66.36	*66.02	64.02
Hours—			
All manufacturing	40.5	40.2	39.6
Durable goods	41.2	40.9	40.2
Nondurable goods	39.5	*39.3	38.8
Hourly Earnings—			
All manufacturing	$1.85	$1.84	$1.80
Durable goods	1.96	1.96	1.90
Nondurable goods	1.68	1.68	1.65
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of December:			
Death benefits	$207,594,000	$169,921,000	$191,711,000
Matured endowments	54,241,000	49,254,000	49,345,000
Disability payments	9,795,000	8,943,000	9,495,000
Annuity payments	40,551,000	38,626,000	37,426,000
Surrender values	71,445,000	72,863,000	64,579,000
Policy dividends	142,372,000	60,354,000	128,668,000
Total	$525,998,000	$399,965,000	$481,224,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Dec. (000's omitted):			
Ordinary	$2,456,000	*$2,261,000	$2,200,000
Industrial	478,000	*524,000	485,000
Group	1,154,000	7,489,000	1,050,000
Total	$4,088,000	*$10,274,000	$3,735,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Feb.	£24,125,000	£4,813,000	£93,937,000
NEW YORK STOCK EXCHANGE—As of Feb. 28 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,653,351	$2,558,276	$1,687,885
Credit extended to customers	62,875	41,649	34,976
Cash on hand and in banks in U. S.	350,770	356,480	308,551
Total of customers' free credit balances	1,062,885	1,069,011	768,238
Market value of listed shares	175,587,870	171,154,679	124,905,523
Market value of listed bonds	104,517,827	105,476,316	107,646,029
Member borrowings on U. S. Govt. issues	146,194	124,835	120,844
Member borrowings on other collateral	1,824,797	1,779,286	1,086,328
PORTLAND CEMENT (BUREAU OF MINES)—Month of December:			
Production (barrels)	22,290,000	*23,826,000	20,243,000
Shipments from mills (barrels)	16,347,000	*22,766,000	14,130,000
Stocks (at end of month—barrels)	16,675,000	*10,732,000	19,231,000
Capacity used	89	*98	84
PROSPECTIVE PLANTING FOR 1955 — U. S. CROP REPORTING BOARD — ACREAGES IN THOUSANDS—As of March 1:			
Corn, all	82,033	-----	81,893
All spring wheat	13,960	-----	15,887
Durum	1,112	-----	1,658
Other spring	12,848	-----	14,229
Oats	47,664	-----	47,284
Barley	15,776	-----	14,517
Flaxseed	5,743	-----	5,959
Rice	1,800	-----	2,462
Sorghums for all purposes	21,322	-----	19,882
Potatoes	1,434	-----	1,423
Sweetpotatoes	354	-----	354
Tobacco	1,561	-----	1,645
Beans, dry edible	1,788	-----	1,714
Peas, dry field	295	-----	287
Soybeans	19,981	-----	18,753
Peanuts	1,914	-----	1,932
Hay	74,360	-----	72,770
Sugar beets	833	-----	963

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Allied Uranium Mines, Inc. (4/18-22)
March 25 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration of mining claims, and expenses incident thereto. **Office**—701 Newhouse Building, Salt Lake City, Utah. **Underwriter**—H. J. Cooney & Co., New York.

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 Alloys Corp., Kansas City, Mo. (4/5)
March 15 (letter of notification) 149,500 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For expansion and working capital. **Underwriter**—S. D. Fuller & Co., New York.

American Asbestos Co., Ltd.
Feb. 17 (Regulation "D") 600,000 shares of common stock (par $1). **Price** — 50 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Maine Investment Co., Ltd.

★ American Fire & Casualty Co., Inc. (4/1)
March 17 (letter of notification) 20,000 shares of common stock (par $5). **Price** — $15 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Orlando, Fla.—**Underwriter**—Goodbody & Co., Miami, Fla., and New York, N. Y.

American International Minerals Corp.
Feb. 25 filed 460,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—For exploration and development of mining properties of subsidiary and for working capital, etc. **Office**—Dover, Del. **Underwriter**—Vickers Bros., New York. **Offering**—Expected in about five weeks.

• American Locomotive Co.
March 11 filed $25,000,000 sinking fund debentures due March 15, 1980. **Price**—To be supplied by amendment **Proceeds**—Together with other funds, to redeem $18,700,000 of 7% cumulative preferred stock (par $100) at $115 per share and prepay $10,000,000 loan from Metropolitan Life Insurance Co. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Temporarily postponed.

★ Anchor Precision Corp., Westbury, L. I., N. Y.
March 28 filed 118,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($5 per share). **Proceeds**—For expansion in Mid-west, to fabricate additional micro-zip machine and zipper manufacturing equipment and for working capital. **Underwriter**—D. Gleich Co., New York.

★ Ansul Chemical Co., Marinette, Wis. (4/1)
March 17 (letter of notification) 11,500 shares of common stock (par $3). **Price**—$25.75 per share. **Proceeds**—For construction and purchase of new plant and equipment and improvement of present plant. **Underwriter**—Paine, Webber, Jackson & Curtis, Milwaukee, New York and Boston.

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.

• Arkansas-Missouri Power Co.
March 3 filed 36,868 shares of common stock (par $5) being offered for subscription by common stockholders of record March 14 at the rate of one new share for each 12½ shares held (with an oversubscription privilege); rights to expire on April 4. **Price**—$20.25. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—None.

★ Astron Corp., East Newark, N. J. (4/25-29)
March 25 filed 250,000 shares of common stock (par 10 cents), of which 200,000 shares are to be sold for account of the company and 50,000 shares for certain selling stockholders. **Price**—$4 per share. **Proceeds**—For expansion program, inventory and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

Automatic Remote Systems, Inc.
March 3 filed 540,000 shares of common stock (par 50 cents). **Price**—$3.75 per share. **Proceeds**—For manufacture of Teleac Sending and Receiving Units, working capital and general corporate purposes. **Office**—Baltimore, Md. **Underwriter**—Mitchell Securities, Inc., same city.

Best American Life Insurance Co., Mesa, Ariz.
Feb. 11 filed 800,000 shares of class A common stock (par $1) to be offered to present and future holders of its life insurance policies with stock purchase rights; 75,000 shares of class B common stock (par $1) to be offered to present and future life insurance salesmen, district managers and state managers; and 455,208 double option coupons with and attached to policies of whole life insurance, to be offered to the general public. **Proceeds**—To build up capital and surplus of company to permit to qualify as a full legal reserve company and expand into other states. **Underwriter**—None. Richard G. Johnson of Mesa, Ariz., is President.

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.

★ Bozeman Uranium Exploration Corp.
Feb. 15 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses. **Underwriter**—None.

★ Bridgeport Brass Co., Bridgeport, Conn. (4/18)
March 28 filed 202,547 shares of cumulative preferred stock (par $50) to be offered for subscription by common stockholders of record about April 15 on the basis of one preferred share for each six shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire outstanding long-term debt (3¾% serial debentures, 2½% notes, and 4% mortgage on Indianapolis plant) and for general corporate purposes. **Underwriters**—Blyth & Co., Inc.; Hornblower & Weeks; and Stone & Webster Securities Corp.; all of New York.

Brown Co., Berlin, N. H.
March 17 filed $14,217,100 of debentures due May 15, 1975, and 142,171 shares of common stock (par $1) to be offered for subscription by holders of "called" $5 cumulative convertible first preference stock who have not surrendered their shares for redemption or conversion into common stock. These holders may subscribe for $100 of debentures and one share of common stock for each $5 preference share held. **Price** — $100 per unit. **Proceeds**—For redemption of $5 preference stock. **Underwriter**—None.

California-Pacific Utilities Co. (4/4-7)
March 14 filed 50,000 shares of 5% cumulative convertible preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter** — First California Co., San Francisco, Calif.

California Tuna Fleet, Inc.
Feb. 15 filed (amendment) $500,000 of 6% sinking fund debentures due 1967 and 50,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—Expected at $1,100 per unit. **Proceeds**—For expansion and working capital. **Office**—San Diego, Calif. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Offering**—May be effected in March.

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.

Central Maine Power Co. (4/12)
March 16 filed $12,000,000 of first and general mortgage bonds, series V, due 1985. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and W. E. Hutton & Co. (jointly); Salomon Bros. & Hutzler; Kuhn, Loeb & Co.; Union Securities Corp. and A. C. Allyn & Co. Inc. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 12 at the company's office, 443 Congress St., Portland, Me.

★ Cessna Aircraft Co., Wichita, Kansas
Feb. 15 (letter of notification) 500 shares of common stock (par $1). **Price**—At market (estimated at about $21 per share). **Proceeds**—To Francis G. Largent, Secretary of the company. **Underwriter**—Francis I. duPont & Co., Wichita, Kansas.

• Chesapeake & Colorado Uranium Corp. (4/4-6)
Dec. 7 filed 1,000,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Office** — Washington, D. C. **Underwriters**—S. D. Fuller & Co.; Peter Morgan & Co.; and Vermilye Brothers; all of New York.

★ Citizens Natural Gas Co., Inc.
March 15 (letter of notification) 80,000 shares of preferred stock and 20,000 shares of common stock to be offered in units of four shares of preferred and one share of common stock. **Price**—$14.50 per unit. **Proceeds**—For repayment of loans, and for improvements, etc. **Office**—230 South Fifth St., Las Vegas, Nev. **Underwriter**—Lester L. LaFortune, same city.

Colonial Aircraft Corp.
March 18 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For equipment and working capital. **Business** — To produce the "Skimmer Amphibian." **Office**—Deer Park, L. I., N. Y. **Underwriter**—None.

Colorado Plateau Uranium Co.
Dec. 1 (letter of notification) 1,900,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining activities. **Office** — 824 Equitable Bldg., Denver 2, Colo. **Underwriter**—John L. Donahue, 430 16th St., Denver, Colo.

★ Community Life Insurance Co., San Antonio, Tex.
March 17 (letter of notification) 23,500 shares of common stock (no par). **Price**—$12.50 per share. **Proceeds**—To increase capital and surplus. **Office**—611 West Ashby Place, San Antonio, Tex. **Underwriter**—None, sales to be handled thorugh employees, officers, dealers and agents.

Confidential Finance Corp., Omaha, Neb
March 11 (letter of notification) 150,000 shares of 7% cumulative preferred stock (par 95 cents) and 15,000 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $10 per unit. **Proceeds** — For working capital. **Underwriter**—J. J. Riordan & Co., Inc., 42 Broadway, New York City.

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.

Consumers Public Service Co., Brookfield, Mo.
March 7 (letter of notification) 1,200 shares of 6% cumulative prefererd stock. **Price**—At par ($50 per share). **Proceeds** — To repay bank loans and for additions and improvements. **Underwriter** — McDonald, Evans & Co., Kansas City, Mo.

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 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.

Continental Telephone Co. (4/7)
March 18 filed 243,060 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held as of April 7; rights to expire on April 20. Theodore Gary & Co., which owns 50.49% of the outstanding shares of Continental common stock, intends to purchase the 122,716 shares to which it is entitled to subscribe. **Price**—To be supplied by amendment. **Proceeds**—To be used principally for financing the company's subsidiaries and for other general corporate purposes. **Underwriters**—White, Weld & Co., The First Boston Corp. and W. C. Pitfield & Co., Inc., all of New York.

● **Crestmont Oil Co., Los Angeles, Calif. (4/13)**
March 21 filed 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and to acquire additional not fully developed producing properties with good oil reserves. **Underwriter** — Shearson, Hammill & Co., Los Angeles, Calif. and New York, N. Y.

★ **Delaware Fund, Inc., Camden, N. J.**
March 25 filed (by amendment) an additional 596,857 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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.

★ **Devonian Gas & Oil Co., Renovo, Pa.**
March 1 (letter of notification) 500,000 shares of common stock (par 10 cents) to be offered for subscription by stockholders. **Price**—25 cents per share. **Proceeds**—For drilling operations and working capital. **Office**—704 Erie Ave., Renovo, Pa. **Underwriter**—None.

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.

★ **Dixie Fire & Casualty Co., Greer, S. C.**
March 11 (letter of notification) 5,000 shares of common stock (par $10). **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

★ **Dodge & Cox Fund, San Francisco, Calif.**
March 25 filed 25,000 beneficial shares. **Price**—At market. **Proceeds**—For investment.

★ **Dyno Mines, Ltd., Toronto, Canada.**
March 25 filed 1,100,000 shares of common stock (par $1). **Price**—To be related to the current market price on the Toronto Stock Exchange. **Proceeds**—To American Trading Co. Ltd., the selling stockholder. **Underwriter**—R. W. Brown Ltd., Toronto, Canada, on a "best-efforts basis."

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.

Eastern Stainless Steel Corp. (4/6)
March 16 filed 126,755 shares of common stock (par $5), of which 96,755 shares are to be offered by the company for subscription by common stockholders of record April 5 on the basis of one new share for each five shares held (with a 2-week standby); and 30,000 shares of common stock to be offered for account of John M. Curley, Chairman of the Board and President. **Price**—To be supplied by amendment. **Proceeds**—For retirement of bank loans, capital expenditures and working capital. **Office**—Colgate, Md. **Underwriter** — Hornblower & Weeks, New York.

● **ElectroData Corp., Pasadena, Calif.**
March 7 filed 210,000 shares of capital stock (par $1) to be offered for subscription by stockholders at the rate of three new shares for each 10 shares held on March 29; with subscription rights to expire on April 18. **Price**—Expected to be $10. **Proceeds**—For construction of new plant and office building, new equipment and working capital **Underwriter**—Blyth & Co., Inc., San Francisco and New York. **Offering** — Expected today (March 31).

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. (4/12-13)**
Dec. 14 filed 2,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—For investment. **Office**—San Diego, Calif. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Eleven Moore Street Corp.
March 3 (letter of notification) 28,143 shares of capital stock (par $1) being offered for subscription by stockholders of record March 18, 1955 on the basis of three new shares for each share held; rights to expire on April 8, 1955. **Price**—$6 per share. **Proceeds**—Together with funds from mortgage loan of $350,000 to redeem $581,700 outstanding income mortgage loan certificates. **Office**—141 Broadway, New York 6, N. Y. **Underwriter**—None, but Breswick & Co., New York, will buy unsubscribed shares.

★ **Elfun Trusts, New York**
March 28 filed 125,000 units in the Trusts. **Price**—At market. **Proceeds**—For investment.

Elsin Electronics Corp.
March 16 (letter of notification) 140,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For equipment and working capital. **Business** — Research engineering in electronic and other fields. **Office**—617-33 Brooklyn Ave., Brooklyn 3, N. Y. **Underwriters**—Standard Investing Corp. and Baruch Brothers & Co., Inc., both of New York. **Offering**—Expected early in April.

★ **Equity Fund, Inc., Seattle, Wash.**
March 28 filed 500,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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.

★ **Fidelity Fund, Inc., Boston, Mass.**
March 24 filed 3,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

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). **Preceeds** — For working caiptal. **Underwriter** — E. J. Fountain & Co., Inc., New York.

★ **First Investors Corp., New York**
March 24 filed (by amendment) an additional $13,000,000 of periodic payment plans (DW and DWN) and single payment plans (DWP). **Proceeds**—For investment.

Flo-Mix Fertilizers Corp., Houma, La.
Feb. 14 filed 535,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To buy equipment and for working capital. **Underwriter** — Tschirn Investment Co., Delta Bldg., New Orleans, La.

★ **Florida Home Insurance Co., Miami, Fla.**
March 14 (letter of notification) 3,000 shares of common stock (par $10). **Price**—$24 per share. **Proceeds**—To increase capital and surplus. **Office**—7120 Biscayne Blvd., Miami, Fla. **Underwriter**—None.

Florida Telephone Corp. (4/1)
March 4 filed 77,350 shares of common stock (par $10) to be offered for subscription by common stockholders of record April 1, 1955, and by certain officers and em-

Continued on page 50

NEW ISSUE CALENDAR

April 1 (Friday)
American Fire & Casualty Co.________Common
(Goodbody & Co.) $300,000
Ansul Chemical Co.________Common
(Paine, Webber, Jackson & Curtis) $296,125
Florida Telephone Corp.________Common
(Offering to stockholders—no underwriting) 77,350 shares

April 4 (Monday)
California-Pacific Utilities Co.________Preferred
(First California Co.) $1,000,000
Chesapeake & Colorado Uranium Corp.________Common
(S. D. Fuller & Co.; Peter Morgan & Co.; and Vermilye Brothers) $1,000,000
Holly Uranium Corp.________Common
(Barrett Herrick & Co. Inc. and Franklin, Meyer & Barnett) $3,150,000
Nevada-Utah Uranium & Oil Corp.________Common
(Chippewa Securities Corp.) $293,750
Ranger Lake Uranium Mines, Ltd.________Common
(James Anthony Securities Corp.) $300,000
Southern States Oil Co.________Common
(Gordon Graves & Co., Inc.) $500,000
U. S. Igniter Corp.________Class A Common
(Allen E. Beers Co.) $300,000

April 5 (Tuesday)
American Alloys Corp.________Common
(S. D. Fuller & Co.) $299,000
Kentucky Utilities Co.________Bonds
(Bids 10:30 a.m. CST) $5,000,000
Marlowe Chemical Co.________Common
(General Investing Corp.) $300,000
Sealed Power Corp.________Common
(A. G. Becker & Co. Inc.) 100,000 shares
Wabash RR.________Equip. Trust Ctfs.
(Bids noon EST) $1,530,000
West Texas Utilities Co.________Bonds
(Bids 10:30 a.m. CST) $7,500,000
White Canyon Mining Co.________Common
(Joseph McManus & Co. and A. P. Kibbe & Co. $3,000,000

April 6 (Wednesday)
Eastern Stainless Steel Corp.________Common
(Offering to stockholders, 96,755 shares; and to public, 30,000 shares—underwritten by Hornblower & Weeks)
General Dynamics Corp.________Debentures
(Lehman Brothers and Blyth & Co., Inc.) $40,000,000
Storer Broadcasting Co.________Common
(Reynolds & Co.) 262,750 shares
Tennessee Gas Transmission Co.________Debentures
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $25,000,000

April 7 (Thursday)
Continental Telephone Co.________Common
(Offering to stockholders—underwritten by White, Weld & Co.; The First Boston Corp.; and W. C. Pitfield & Co., Inc.) 243,060 shares
Gerber Products Co.________Common
(Offering to stockholders—underwritten by A. G. Becker & Co. Inc.) 99,914 shares
Pan American Sulphur Co.________Debentures
(Offering to stockholders—underwritten by Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co.) $4,651,200

April 11 (Monday)
Lindly & Co., Inc.________Common
(Aetna Securities Corp.) $300,000
Pacific Northwest Pipeline Corp.________Notes & Com.
(White, Weld & Co.; Kidder, Peabody & Co.; The Dominion Securities Corp.; and Union Securities Corp.) $17,220,000 debentures and 287,000 shares of stock
White River Propane Gas Co., Inc.________Debens. & Com.
(Eisele & King, Libaire, Stout & Co.) $700,000

April 12 (Tuesday)
Central Maine Power Co.________Bonds
(Bids 11 a.m. EST) $12,000,000
Electronics Investment Corp.________Common
(William R. Staats & Co.) $10,000,000
Lee Spring Co., Inc.________Common
(S. D. Fuller & Co. and Vermilye Brothers) $298,740

April 13 (Wednesday)
Crestmont Oil Co.________Common
(Shearson, Hammill & Co.) 125,000 shares
Freuhauf Trailer Co.________Debentures
(Lehman Brothers) $15,000,000
Gross Telecasting, Inc.________Common
(Paine, Webber, Jackson & Curtis) 193,000 shares

April 14 (Thursday)
Public Service Co. of Indiana, Inc.________Preferred
(Offering to stockholders—no underwriting) $20,243,100
Savannah Electric & Power Co.________Common
(The First Boston Corp. and Stone & Webster Securities Corp.) 165,000 shares

April 15 (Friday)
Westpan Hydrocarbon Co.________Common
(May be Union Securities Corp.) 384,861 shares

April 18 (Monday)
Allied Uranium Mines, Inc.________Common
(H. J. Cooney & Co.) $600,000
Bridgeport Brass Co.________Preferred
(Offering to stockholders—underwritten by Blyth & Co., Inc.; Hornblower & Weeks; and Stone & Webster Securities Corp.) $10,127,350
General Telephone Co. of Michigan________Preferred
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp) $5,000,000
Peninsular Telephone Co.________Common
(Offering to stockholders—underwritten by Morgan Stanley & Co. and Coggeshall & Hicks) 158,203 shares
Philadelphia Electric Co.________Bonds
(Bids noon EST) $50,000,000

April 19 (Tuesday)
Northwest Plastics, Inc.________Common
(Irving J. Rice & Co. and M. H. Bishop & Co.) $300,000
Woodward & Lothrop, Inc.________Common
(Alex. Brown & Sons) 30,000 shares

April 25 (Monday)
Astron Corp.________Common
(Van Alstyne, Noel & Co.) 250,000 shares

April 27 (Wednesday)
Transcontinental Gas Pipe Line Corp.________Preferred
(White, Weld & Co. and Stone & Webster Securities Corp.) $15,000,000

May 2 (Monday)
Augusta Newspapers, Inc.________Preferred & Common
(Johnson, Lane, Space & Co.)

May 10 (Tuesday)
Georgia Power Co.________Bonds
(Bids 11 a.m. EST) $12,000,000
New York, Chicago & St. Louis RR.________Eq. Tr. Ctfs.
(Bids to be invited) $4,080,000

May 17 (Tuesday)
Ohio Edison Co.________Bonds
(Bids to be invited) $30,000,000

May 24 (Tuesday)
Alabama Power Co.________Bonds
(Bids 11 a.m. EST) $15,000,000

June 7 (Tuesday)
Central Illinois Electric & Gas Co.________Bonds
(Bids to be invited) $4,000,000
Virginia Electric & Power Co.________Bonds
(Bids to be invited) $25,000,000

November 9 (Wednesday)
Southern Co.________Common
(Bids to be invited) 500,000 shares

Continued from page 49

ployees. **Price**—$13 per share. **Proceeds**—For construction program. **Office**—Ocala, Fla. **Underwriter**—None.

Fort Vancouver Plywood Co., Vancouver, Wash.
Feb. 21 filed 397 shares of common stock. **Price**—At par ($4,500 per share). **Proceeds** — For down payment on purchase price of mill facilities and for other expenses. **Underwriter**—John C. O'Brien, one of the promoters.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 10 (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.

★ **Franklin National Life Insurance Co.**
March 11 (letter of notification) 6,000 shares of common stock (par $10). **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Office**—108 W. Washington St., Greenville, S. C. **Underwriter**—None.

★ **Frontier Contractors Equipment Co., Inc.**
March 24 (letter of notification) 5,200 shares of common stock (par $1) to be offered first to stockholders. **Price**—$9.50 per share. **Proceeds**—To increase investment in Siegfried Construction Co., Inc. **Office**—6 No. Pearl St., Buffalo, N. Y. **Underwriter**—None.

★ **Fruehauf Trailer Co., Detroit, Mich. (4/13)**
March 24 filed $15,000,000 of convertible subordinated debentures due April 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Lehman Brothers, New York, N. Y.

★ **Gair (Robert) Co., Inc.**
March 28 (letter of notification) 2,306 shares of preferred stock (par $100) to be offered in exchange for 1,237 shares of first preferred stock (par $100) and 1,069 shares of second preferred stock (par $100) of Great Southern Box Co., Inc. on a share-for-share basis. **Underwriter**—None.

● **General Dynamics Corp. (4/6)**
March 11 filed $40,000,000 of convertible debentures, due April 1, 1975. **Price** — To be supplied by amendment. **Proceeds**—For expansion and improvement of facilities and for working capital. **Underwriters**—Lehman Bros. and Blyth & Co., Inc., both of New York.

General Homes, Inc.
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 Telephone Co. of Michigan (4/18)**
March 29 filed 100,000 shares of $2.40 cumulative preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for redemption of the outstanding $2.75 cumulative preferred stock. **Underwriter**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

★ **Gerber Products Co., Fremont, Mich. (4/7)**
March 18 filed 99,914 shares of common stock (par $10) to be offered for subscription by common stockholders of record about April 7 at the rate of one new share for each 20 shares held (for a 14-day standby). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

★ **Grammes (L. F.) & Sons, Inc., Allentown, Pa.**
Feb. 28 (letter of notification) 1,279 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$22 per share. **Proceeds**—For plant improvement and other general corporate purposes. **Office**—Jordan and Union Sts., Allentown, Pa. **Underwriter**—None.

● **Gross Telecasting, Inc. (4/13)**
March 21 filed 193,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Lansing, Mich. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

Gulf Cities Gas Corp., St. Petersburg, Fla.
Feb. 15 (letter of notification) 31,500 shares of class A stock (par $1). **Price**—$7.75 per share. **Proceeds** — To repay notes and other obligations and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York. Letter to be withdrawn; full registration of about 50,000 shares expected. **Offering** — Expected about May 2.

● **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. Statement withdrawn Feb. 11, 1955.

● **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. Statement withdrawn Feb. 11, 1955.

Hanover Fire Insurance Co.
Feb. 24 filed 100,000 shares of capital stock (par $10) being offered for subscription by stockholders of record March 16 at the rate of one new share for each four shares held; rights to expire on April 4. **Price**—$42 per share. **Proceeds**—To be added to the general funds of the company to enable it to expand its business, particularly in the writing of casualty and multiple-line policies. **Underwriters**—The First Boston Corp. and R. W. Pressprich & Co., both of New York.

Heliogen Products, Inc.
March 7 (letter of notification) 22,670 shares of common stock (par $1), of which 12,670 shares are being offered for subscription by stockholders up to and including June 15, 1955, and 10,000 shares are to be offered publicly. **Price**—$5 per share. **Proceeds**—For working capital, etc. **Office**—35-10 Astoria Blvd., Long Island City, N. Y. **Underwriter**—Smith & Co., Waterville, Me.

★ **Hi-Boy Uranium Exploration Corp.**
March 1 (letter of notification) 55,474 shares of common stock (par $1) and 5,000 shares of preferred stock (par $1). **Price**—At par. **Proceeds** — For mining expenses. **Office**—908 American Bldg., Seattle 4, Wash. **Underwriter**—None.

Hobby & Brown Electronic Corp.
Feb. 24 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To increase inventory and for working capital. **Office**—55 Front St., Rockville Centre, L. I., N. Y. **Underwriter**—W. Harry Young Co., Garden City, L. I., N. Y.

● **Holly Uranium Corp., New York (4/4-7)**
Feb. 10 filed 900,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—To exercise certain options on properties in Utah and New Mexico. **Underwriter**—Barrett Herrick & Co., Inc. and Franklin, Meyer & Barnett, both of New York.

★ **Hub Loan Co., Jersey City, N. J.**
March 28 (letter of notification) 300,000 shares of common class A limited voting stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office** — 133 Newark Ave., Jersey City, N. J. **Underwriter**—None.

Industrial Hardware Manufacturing Co., Inc.
March 9 filed $3,000,000 of 6% debentures due March 1, 1975, of which $2,596,600 principal amount are to be offered first to stockholders. **Price**—To be supplied by amendment. **Proceeds**—To purchase preferred stock of Hugh H. Eby Co., at par; to purchase real estate, machinery and equipment, etc.; for the acquisition of all common stock of Eby company and to pay certain bank loans and notes payable of Eby. **Underwriters**—Milton D. Blauner & Co., Inc., New York; Hallowell, Sulzberger & Co., Philadelphia; and Baruch Brothers & Co., Inc., New York).

Inland Western Loan & Finance Corp.
Feb. 17 filed 2,500,000 shares of class A non-voting common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To be used as operating capital for its two subsidiaries, and to finance establishment and operation of additional loan and finance offices. **Office**—Phoenix, Ariz. **Underwriter**—None.

★ **Inter American Industries, Inc., New York.**
March 25 filed 150,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Baruch Brothers & Co., Inc., New York, on a "best-efforts basis."

★ **Investors Syndicate of America, Inc.**
March 2' filed (by amendment) an additional $1,000,000 of fully-paid face amount certificates (single payment); $10,000,000 of series 10 instalment face amount certificates; $75,000,000 of series 15 certificates; and $125,000,000 of series 20 certificates. **Office**—Minneapolis, Minn.

Israel Pecan Plantations, Ltd.
Feb. 28 filed 24,900 shares of ordinary common stock (par one Israeli pound). **Price**—$10 per share. **Proceeds**—For capital expenditures. **Underwriter**—None. **Offices**—Natanya, Israel, and New York, N. Y.

★ **Johnston Mutual Fund, Inc., New York**
March 22 filed 50,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Justheim Petroleum Co.
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.

Kentucky Utilities Co., Lexington, Ky. (4/5)
March 7 filed $5,000,000 first mortgage bonds, series F, due April 1, 1985. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; Baxter, Williams & Co. **Bids**—To be received up to 10:30 a.m. (CST) on April 5 at 20 No. Wacker Drive, Chicago 6, Ill.

● **Kentucky Utilities Co., Lexington, Ky.**
March 7 filed 190,566 shares of common stock (par $10) being offered for subscription by common stockholders of record March 21 on the basis of one new share for each 12 shares held; rights expire on April 11. **Price**—$24.75 per share. **Proceeds**—For construction program. **Underwriters**—Blyth & Co. Inc., New York, and J. J. B. Hilliard & Son, Louisville, Ky.

● **Kin-Ark Oil Co., El Dorado, Ark.**
Feb. 24 filed 500,000 shares of common stock (par 10 cents). **Price** — $2.75 per share. **Proceeds** — To repay $279,000 mortgage indebtedness and $45,500 outstanding notes; to pay $70,000 outstanding accounts payable, and for drilling of 14 additional wells and working capital. **Underwriter** — Van Alstyne, Noel & Co., New York. **Offering**—Expected today (March 31).

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.

Laan-Tex Oil Corp., Dallas, Texas
March 9 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay outstanding debt and for other general corporate purposes. **Underwriter**—Woods & Co., Houston, Tex.

★ **Lamson Aircraft Co., Seattle, Wash.**
Feb. 28 (letter of notification) 16,734 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To retire bank loans, etc. and for working capital. **Office**—807 Fourth Ave., Seattle 4, Wash. **Underwriter**—None.

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.

● **Lee Spring Co., Inc. (4/12)**
March 18 (letter of notification) 74,685 shares of common stock (par 50 cents). **Price**—$4 per share. **Proceeds**—For machinery, equipment and working capital. **Business**—Manufactures mechanical coil springs. **Office**—30 Main St., Brooklyn 1, N. Y. **Underwriters**—S. D. Fuller & Co., and Vermilye Brothers, both of New York.

★ **Lillian Russell Originals, Inc., Wilmington, Del.**
March 13 (letter of notification) 12,300 shares of $10 per class C (voting) common stock and 8,000 shares of $10 par class C (non-voting) common stock to be offered first to present stockholders. **Proceeds**—For equipment, materials and working capital. **Office**—900 Market St., Wilmington, Del. **Underwriter**—None.

★ **Lindly & Co., Inc., Mineola, N. Y. (4/11)**
March 24 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To pay long term loan; to develop and manufacture automatic textile inspection machine; and for working capital; and other general corporate purposes. **Office**—248 Herricks Road, Mineola, N. Y. **Underwriter**—Aetna Securities Corp., New York City.

Lucky Lake Uranium, Inc., Salt Lake City, Utah
Feb. 9 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—201 Boston Building, Salt Lake City, Utah. **Underwriter**—Kastler Brokerage Co., same city.

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.

★ **Mallinckrodt Chemical Works, St. Louis, Mo.**
March 29 filed 40,000 shares of cumulative preferred stock, series C ($50 par-convertible). **Price**—To be supplied by amendment. **Proceeds**—For construction of plant and working capital. **Underwriter** — Newhard, Cook & Co., St. Louis, Mo.

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.

Marine Midland Corp.
March 21 filed 70,000 shares of common stock (par $5) to be offered in exchange for all the issued and outstanding capital stock of The Farmers National Bank & Trust Co. of Rome, Rome, N. Y., at the rate of five shares of Marine Midland stock for each share of Farmers National stock held of record April 8, 1955. The offer is subject to acceptance deposit of not less than 80% (11,200 shares) of Farmers National. **Underwriter**—None.

● **Marlowe Chemical Co., Inc. (4/5)**
March 11 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital. **Business** — To manufacture and sell a home unit fire extinguisher. **Office**—17 West 44th St., New York 36, N. Y. **Underwriter**—General Investing Corp., New York.

Mascot Mines, Inc., Kellogg, Ida.
Feb. 17 (letter of notification) 200,000 shares of common stock (par 35 cents). **Price**—75 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Standard Securities Corp., Spokane, Wash.

★ **McRae Oil & Gas Corp., Denver, Colo.**
March 24 filed 729,174 shares of common stock (par 10 cents), of which 400,000 shares are to be sold by the company and 329,174 shares by selling stockholders. **Price**—$4 per share. **Proceeds**—To repay bank loan of $273,00 and a secured note of $384,000; for acquisition of new properties and the drilling of wells; and for other general corporate purposes. **Underwriters**—First California Co., San Francisco, Calif.; and William R. Staats & Co., Los Angeles, Calif.

● **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 April 15. **Dealer-Manager**—A. C. Allyn & Co., Inc. for Devoe & Raynolds exchange.

Mesa Petroleum Co., Inc., Wichita, Kans.
Feb. 9 (letter of notification) 75,000 shares of common stock (no par). **Price**—$4 per share. **Proceeds**—To complete wells already drilled on properties owned by company; and to drill additional wells. **Office**—303 Insurance Building, Wichita, Kans. **Underwriter**—Albert C. Schenkosky, same city.

Metallics Recovery Corp., Florence, Colo.
March 14 (letter of notification) 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Universal Securities Co., New York.

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.

★ **Millsap Oil & Gas Co., Siloam Springs, Ark. (4/1)**
March 17 (letter of notification) 599,200 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For oil and gas activities. **Office**—518 Main St., Siloam Springs, Ark. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

● **Model Finance Service, Inc.**
Feb. 28 filed $600,000 of 6% subordinated debentures, with detachable common stock purchase warrants for a total of 18,000 shares of $1 par value common stock (a warrant for 30 shares for each $1,000 debenture) to be offered in units of a $500 debenture, plus a warrant for purchase of 15 shares of stock at $2 per share. **Price**—$500 per unit. **Proceeds**—For payment of certain notes. **Office**—Jackson, Mich. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill. **Offering**—Expected first or second week of April.

Mohawk Business Machines Corp.
March 18 (letter of notification) $175,000 of convertible three-year notes. **Price** — At 100% of principal amount. **Proceeds**—To reduce accounts payable and other general corporate purposes. **Office**—944 Halsey St., Brooklyn 33, N. Y. **Underwriter**—None.

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.

National Gypsum Co.
Feb. 28 filed 464,325 shares of common stock (par $1) being offered for subscription by common stockholders of record March 21, 1955 at the rate of one new share for each six shares held; rights to expire on April 4, 1955. **Price**—$40 per share. **Proceeds**—For capital expenditures and working capital. **Underwriters**—W. E. Hutton & Co. and Blyth & Co., Inc., both of New York.

★ **National Homes Corp., Lafayette, Ind.**
March 11 (letter of notification) 2,600 shares of class B common stock (par 50 cents) to be offered to employees of company and its subsidiary, National Homes Acceptance Corp. **Price**—Based on offering price of $58 per share, employees are to pay from one-half to two-thirds, according to term of service, and company to contribute balance. **Proceeds**—For working capital. **Office**—U. S. 52 By-Pass, Lafayette, Ind. **Underwriter**—None.

National Shares Corp., New York
March 7 filed 360,000 shares of capital stock (par $1) being offered for subcription by stockholders of record March 21 on the basis of one new share for each two shares held (with an oversubscription privilege); rights to expire on April 4. **Price**—$15 per share. **Proceeds**—For investment. **Underwriter**—None.

★ **Nevada-Utah Uranium & Oil Corp. (4/4)**
March 18 (letter of notification) 1,175,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Chippewa Securities Corp., 226 West 47th St., New York City.

★ **New Yorker Magazine, Inc.**
March 23 (letter of notification) 3,000 shares of common stock (par $1). **Price**—$30.50 per share. **Proceeds**—To Raoul H. Fleischmann, the selling stockholder. **Office**—25 West 43rd St., New York, N. Y. **Underwriter**—Silberberg & Co., New York.

Norden-Ketay Corp., New York
March 16 filed 22,500 shares of common stock issuable pursuant to exercise of 90,000 stock purchase warrants sold to the underwriters of the public offering in 1951 of 400,000 shares of common stock of The Norden Laboratories. The warrant holders are entitled to receive one share of Norden-Ketay stock for each four warrants exercised at $12 per share. **Proceeds**—For general corporate purposes.

Oklahoma Gas & Electric Co.
Feb. 23 filed 331,643 shares of common stock (par $10) being offered for subscription by common stockholders of record March 16 on the basis of one new share for each eight shares held. Employees will be given the right to subscribe for not exceeding 12,000 shares of any unsubscribed stock. Rights will expire on April 5. **Price** — $31.50 per share. **Proceeds** — For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

★ **Pacific Lighting Corp.**
March 30 filed 600,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for advances to subsidiaries. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

● **Pacific Northwest Pipeline Corp. (4/11-15)**
March 9 filed $17,220,000 of 6% interim notes due June 1, 1957 and 287,000 shares of common stock (par $1) to be offered in units of $60 principal amount of notes and one share of stock. **Price**—To be supplied by amendment (expected to be $70 per unit). **Proceeds**—Together with other funds, to finance construction of a 1,466 mile natural gas pipe line between Ignacio, Colo., and Sumas, Wash. on the Canadian border. **Underwriters** — White, Weld & Co.; Kidder, Peabody & Co.; The Dominion Securities Corp.; and Union Securities Corp. Financing plans also include offering to present stockholders of 1,549,100 shares of common stock $10 per share, without underwriting.

● **Pan American Sulphur Co., Dallas, Texas (4/7)**
March 18 filed $4,651,200 of subordinated debentures, due April 1, 1967 (convertible until April 1, 1964) to be offered for subscription by stockholders of record about April 6 at rate of $100 of debentures for each 40 shares of stock held; rights to expire about April 20. **Price**—At 100% of principal amount. **Proceeds** — For working capital. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

★ **Panhandle Oil Corp., Dallas, Texas**
March 16 (letter of notification) 2,950 shares of common stock (par $1) to be issued pursuant to employees' stock purchase plan (such shares were purchased in the open market for the aggregate amount of $23,181.92, or at an average cost of $7.86 per share). Total contribution by employees for 1954 was $23,682.09. **Office**—132 Mercantile Securities Bldg., Dallas 1, Texas. **Underwriter**—None.

★ **Paradise Valley Raquet Club, Inc. Scottsdale, Ariz.**
March 16 (letter of notification) 50,000 shares of common stock (par $1) and 2,500 shares of 5% cumulative preferred stock (par $100). **Price**—At par. **Proceeds**—For construction of clubhouse and recreational facilities, and furnishings and fixtures. **Office**—4523 No. Scottsdale Road, Scottsdale, Ariz. **Underwriter**—None.

★ **Peninsular Telephone Co., Tampa, Fla. (4/18)**
March 25 filed 158,203 shares of common stock (no par) to be offered for subscription by common stockholders of record April 15 on the basis of one new share for each five held; officers and employees to be entitled to purchase any unsubscribed shares. Rights will expire on May 2. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Morgan Stanley & Co. and Coggeshall & Hicks, both of New York.

Petro-Minerals, Inc., Houston, Tex.
March 15 filed 500,000 shares of capital stock (par 10 cents), of which 195,714 shares are to be offered by company and 304,286 shares by a selling stockholder, to be offered for subscription by stockholders and warrant holders of Johnston Oil & Gas Co. of record April 1 on the basis of one new share for each four shares of Johnston Oil stock held (or represented by warrants held). Johnston Oil has agreed to purchase any company shares not purchased by other Johnston Oil stockholders. **Price**—$1 per share. **Proceeds**—For geological and other expenses, and for other general corporate expenses. **Underwriter**—None.

★ **Philadelphia Electric Co. (4/18)**
March 29 filed $50,000,000 of first and refunding mortgage bonds, due 1985. **Proceeds**—To redeem $30,000,000 of 3⅞% bonds presently outstanding and to help finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Union Securities Corp. (jointly); White, Weld & Co. **Bids**—Expected to be received up to noon (EST) on April 18.

★ **Pioneer Loan Co., Phoenix, Ariz.**
March 14 (letter of notification) 187,500 shares of class B common stock (par $1). **Price**—$1.60 per share. **Proceeds**—For working capital. **Address**—c/o Fennemore, Craig, Allen & Bledsoe, 404 Phoenix National Bank Bldg., Phoenix, Ariz. **Underwriter**—None.

★ **Price & Co., Inc.**
March 29 (letter of notification) 7,500 shares of capital stock (par $20). **Price**—$40 per share. **Proceeds**—To repay bank loans and for working capital. **Business**—Broker-dealer. **Office**—Broadway at Market St., Camden, N. J. **Underwriter**—None.

★ **Price (T. Rowe) Growth Stock Fund, Inc.**
March 24 filed (by amendment) an additional 80,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment.

● **Public Service Co. of Indiana, Inc. (4/14)**
March 18 filed 202,431 shares of 4.20% cumulative preferred stock, par $100 (convertible into common stock after July 1, 1956) to be offered for subscription by common stockholders of record April 13 on the basis of one preferred share for each 21 shares of common stock held; rights to expire on May 9. **Price**—$105 per share. **Proceeds**—For repayment of bank loans and for property additions. **Underwriter**—None.

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.

Purex Corp., Ltd.
March 7 (letter of notification) 3,932 shares of common stock (par $1). **Price**—At market. **Proceeds**—For working capital. **Underwriters**—Blyth & Co., Inc., and William R. Staats & Co., both of Los Angeles, Calif.

Pyramid Life Insurance Co., Charlotte, N. C.
Feb. 15 filed 250,000 shares of capital stock (par $1) to be offered for subscription by common stockholders of record March 1, 1955 on the basis of one new share for each three shares held. Any shares remaining unsubscribed 30 days following date of mailing of warrants will be disposed of through the company's executive committee. **Price**—$3.75 per share. **Proceeds**—To expand business. **Underwriter**—None.

● **Ranger Lake Uranium Mines, Ltd., Toronto, Canada (4/4)**
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.

★ **Raytheon Manufacturing Co., Waltham, Mass.**
Feb. 28 (letter of notification) 4,800 shares of common stock (par $5) issued upon exercise of stock options to four employees. **Price**—At market (estimated at $25.68½ per share). **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Re-Mark Chemical Co., Inc., Miami, Fla.**
March 15 (letter of notification) 187,525 shares of class A 10% cumulative preferred stock (par $1). **Price**—$1.25 per share. **Proceeds** — For retirement of loans, repurchase of accounts receivable, inventory and working capital. **Office**—64 N. E. 73rd St., Miami, Fla. **Underwriter** — None, shares to be offered through Paul H. Marks, Secretary of company.

● **Reis (Robert) & Co.**
March 15 (letter of notification) 3,000 shares of $1.25 prior preference stock (par $10) and 18,000 shares of common stock (par $1). **Price**—At market (about $9 per share for preference stock and about $1.25 for common stock). **Proceeds**—To Trust of Arthur M. Reis, deceased. **Underwriter**—Lehman Brothers, New York. No general offer expected.

Revere Realty, Inc., Cincinnati, Ohio
March 8 filed $1,000,000 of 5½% cumulative convertible debentures due Jan. 1, 1980 and 25,000 shares of common stock (no par). **Price**—Par for debentures and $100 per share for stock. **Proceeds** — To purchase real estate or interest therein. **Underwriter**—Stanley Cooper Co., Inc., Cincinnati, O.

Ritter Finance Co., Inc., Syncote, Pa.
Feb. 24 filed 4,000 shares of 5½% cumulative preferred stock, third series (par $50) and 40,000 shares of class B common stock (par $1) to be offered in units of one preferred share and 10 class B shares. **Price**—$75 per unit. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—None.

★ **Ryder System, Inc., Miami, Fla.**
March 28 filed 160,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay debt to Great Southern Trucking Co., for equity investment in Ryder Truck Rental System, Inc.; for working capital; and expansion of Ryder System and its subsidiaries. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected some time in April.

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.

Savannah Electric & Power Co. (4/14)
March 17 filed 165,000 shares of common stock (par $10), of which 65,000 shares are to be offered for sale by the company and 100,000 shares by the Donner Family Trusts and Donner Foundation, Inc. **Price**—To be supplied by amendment. **Proceeds** — To repay bank

Continued on page 52

Continued from page 51

loans and for new construction. **Underwriters**—The First Boston Corp. and Stone & Webster Securities Corp., both of New York.

Sealed Power Corp. (4/5)
March 16 filed 100,000 shares of common stock (par $10), of which 50,000 shares are to be offered by company and 50,000 shares by selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For capital additions and improvements. **Office** — Muskegon Heights, Mich. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

★ Seamloc Carpet Co., Sanford, Me.
Feb. 28 (letter of notification) 10,000 shares of 6% cumulative preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Office** — High Street, Sanford, Me. **Underwriter**—None.

Silver Pick Uranium, Inc., Reno, Nev.
Nov. 22 (letter of notification) 2,994,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—211-206 N. Virginia Street, Reno, Nev. **Underwriter**—Western Securities Corp., Las Vegas, Nev.

● Sinclair Oil Corp., New York
March 7 filed 337,830 shares of common stock (no par) being offered in exchange for shares of capital stock of Venezuelan Petroleum Co. in the ratio of five shares of Sinclair stock for each eight shares of Venezuelan stock tendered for exchange. The offer will expire on April 21 and is subject to deposit of at least 450,000 shares with Chemical Corn Exchange Bank, New York City.

Solomon Uranium & Oil Corp., Inc.
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Offices** — 506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. **Underwriter**—E. R. Bell & Co., Kansas City, Mo.

★ Southeastern Industries, Inc., Wilmington, Del.
March 11 (letter of notification) $60,000 of 6% debentures due 1965 and 4,500 shares of common stock (par $1) to be offered in units of one $1,000 debenture and 75 shares of stock. **Price**—$1,100 per unit. **Proceeds**—For purchase of machinery, pay obligations and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—None.

Southeastern Public Service Co.
Jan. 24 (letter of notification) 28,000 shares of common stock (par 10 cents) being 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.

Southern States Oil Co. (4/4-7)
Feb. 25 filed 250,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For further exploration and development of properties, for drilling costs and for acquisition of interests in other oil companies. **Office** — Laurel, Miss. **Underwriter** — Gordon Graves & Co., Inc., New York.

● Southern Union Oils, Ltd.
Feb. 16 filed 1,211,002 shares of common stock (par $1) of which 511,002 shares are being offered for subscription by existing stockholders on a basis of one new share for each share held as of March 15; rights to expire on April 12. **Price** — To stockholders, 50 cents per share; and to public, at a market price to be equivalent to last sale on Toronto Stock Exchange—65c-75c (ex-rights) per share. **Proceeds**—For exploratory and developmental expenses; for possible acquisition of additional oil and gas interests; and to meet current liabilities. **Office**—Toronto, Canada. **Underwriter** — Willis E. Burnside & Co., Inc., New York.

★ Springfield Securities Corp., Springfield, Mass.
March 22 filed 19,997 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For investment.

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

Stewart Oil & Gas Co., San Angelo, Texas
March 14 filed 750,000 shares of common stock (par 10c). **Price**—$1 per share. **Proceeds**—To repay bank loan, and for development of properties and other activities incident to oil and gas operations. **Underwriter** — Barrett Herrick & Co., Inc., New York.

● Storer Broadcasting Co. (4/6)
March 10 filed 262,750 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To reduce 4½% notes, due 1955-1961, by approximately $10,000,000; and to redeem all or part of the outstanding 15,000 shares of 7% cumulative preferred stock (par $100) at $107 per share. **Underwriter**—Reynolds & Co., New York.

Sun Hotel, Inc., Las Vegas, Nev.
Feb. 16 filed 760,000 shares of pfd. capital stk. (par $9.50) and 1,540,000 shares of common capital stock (par 25 cents), of which 680,000 shares of preferred and 1,360,000 shares are to be offered in units of one preferred and two common shares; the remaining 80,000 shares of preferred stock and 180,000 shares of common stock may be exchanged for properties. **Price**—$10 per unit. **Proceeds**—To purchase property; for construction of hotel; and for working capital. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

Sundstrand Machine Tool Co.
March 4 filed 108,885 additional shares of common stock (par $5) being offered to common stockholders on the basis of one new share for each five shares held as of March 22; rights to expire on April 6. **Price**—$35 per share. **Proceeds**—For expansion and general corporate purposes. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York; Bacon, Whipple & Co., Chicago, Ill.; Dean Witter & Co., San Francisco, Calif.

Sunshine Park Racing Association, Inc. (Fla.)
Nov. 18 filed $700,000 of 6% convertible sinking fund debentures due 1966 and 70,000 shares of common stock (par 10 cents). **Price** — 100% and accrued interest for debentures and $2 per share for stock. **Proceeds**—To repay bank loans, for new construction and for working capital. **Underwriter**—Gulf-Atlantic, Inc., Tampa, Fla.

Tennessee Gas Transmission Co. (4/6)
March 11 filed $25,000,000 of debentures, due April 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding short-term notes and for new construction. **Underwriters** — Stone & Webster Securities Corp.; White, Weld & Co. and Halsey, Stuart & Co. Inc., all of New York.

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.

Texas Uranium Development Corp.
March 12 (letter of notification) 298,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining, exploration and development expenses and working capital. **Office**—823 Wilson Bldg., Corpus Christi, Tex. **Underwriter** — Lentz, Newton & Co., San Antonio, Tex.

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.

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.

Topp Industries, Inc., Los Angeles, Calif.
March 9 filed 153,500 shares of common stock (par $1), of which 139,500 shares are to be offered publicly. **Price**—To be supplied by amendment. **Proceeds**—For prepayment of rentals; $46,000 to retire outstanding $10 par preferred stock; to purchase substantially all of the assets of Standard Electronics Manufacturing Co.; for leasehold improvements; to purchase one-half interest in parking area presently leased from Gira Co.; and for working capital, etc. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ Transcontinental Gas Pipe Line Corp. (4/27)
March 29 filed 150,000 shares of cumulative preferred stock (stated value $100 per share). **Price**—To be supplied by amendment. **Proceeds**—To finance part of 1955 construction program. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Union Club, Inc., Hollywood, Calif.
March 1 filed 30,000 shares of preferred stock (par $50) and 100,000 shares of common stock (par $10) to be offered in units of three preferred and 10 common shares. **Price**—$400 per unit. **Proceeds**—For purchase of property, construction of hotel, athletic and health facilities, and working capital. **Underwriter**—None, but sales will be made through agents.

★ United Funds, Inc., Kansas City, Mo.
March 28 filed 50,000 United Income Fund shares; 100,000 Accumulative Fund shares; 50,000 United Science Fund shares; 100,000 United Continental Fund shares; $20,000,000 Period Investment Plans (without insurance) and underlying shares of United Accumulative Fund; and $1,000,000 Period Investment Plans (with insurance) and underlying shares of United Accumulative Fund. **Proceeds**—For investment.

★ U. S. Igniter Corp., Philadelphia, Pa. (4/4)
March 18 (letter of notification) 100,000 shares of class A common stock (par 50 cents). **Price** — $3 per share. **Proceeds**—To pay debt, buy equipment and machinery and for working capital. **Business**—Manufactures a new type of spark plug. **Underwriter** — Allen E. Beers Co., Philadelphia, Pa.

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 Finance Corp., Dallas, Texas
Feb. 16 (letter of notification) 27,000 shares of 70-cent cumulative preferred stock (no par) and 27,000 shares of common stock (par 15 cents) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Underwriter** — J. F. Perkins & Co., Dallas, Texas.

Uranium Publishing Co.
March 4 (letter of notification) 25,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses in connection with publication of a monthly "Uranium Digest." **Underwriter** — Lewellen-Bybee Co., Washington, D. C.

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.

Van Norman Co., Springfield, Mass.
Feb. 28 filed 124,667 shares of common stock (par $2.50) and 10-year warrants to purchase 124,667 additional shares of common stock, being offered for subscription by common stockholders in units of one share of common stock and one warrant for the purchase of one additional share for each three shares held on March 21; rights to expire on April 7. **Price**—$14 per share. **Proceeds**—To reduce bank loans and note held by insurance company, and for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

Vandersee Corp.
March 10 (letter of notification) 200,000 shares of Class A stock (par $1). **Price**—$1.25 per share. **Proceeds**—For general corporate purposes. **Office**—1416 Chestnut Ave., Hillside, N. J. **Underwriter**—None.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 289, Wallace, Idaho. **Underwriter**—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

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. **Offering**—Expected in two or three weeks.

Wenga Copper Mines, Inc., N. Y.
Nov. 18 (Regulation "D") 900,000 shares of common stock (par five cents). **Price**—30 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Willis E. Burnside & Co., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Texas Utilities Co. (4/6)
March 9 filed $7,500,000 of first mortgage bonds, series D, due April 1, 1985. **Proceeds**—To be used 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 (jointly); 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. **Bids**—Expected to be received up to 10:30 a.m. (CST) on April 6.

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.

★ Western Light & Telephone Co., Inc.
March 30 filed 57,000 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire bank loans and for new construction. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ Western Products Corp., Medford, Ore.
March 23 (letter of notification) 2,990 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — For down payment on plywood plant and for working capital. **Office**—1016 N. Riverside, Medford, Ore. **Underwriter**—None.

● White Canyon Mining Co. (4/5-6)
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. **Office** — Dove Creek, Colo. **Underwriters**—Joseph McManus & Co., New York; and A. P. Kibbe & Co., Salt Lake City, Utah.

White River Propane Gas Co., Inc. (4/11-12)
March 11 filed $400,000 of 6% convertible debentures, series A, due April 1, 1965, and 50,000 shares of common stock (par $1). **Price**—100% and accrued interest for debentures, and $6 per share for stock. **Proceeds**—To repay bank loans, etc., and for equipment, expansion and working capital. **Office**—Batesville, Ark. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ **Williamson Par Three, Inc., Jacksonville, Fla.**
March 11 (letter of notification) 133,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To build a golf course. **Underwriter**—E. E. Smith Co., New York.

★ **Wilrich Petroleum, Ltd., Toronto, Canada**
March 24 filed 2,000,000 shares of capital stock (par $1), of which 1,000,000 shares are to be issued in payment for certain properties to be acquired from American Trading Co., Ltd. who will purchase the remaining 1,000,000 shares for $455,000. **Proceeds**—For exploration and development costs and working capital. **Underwriter**—None.

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.

● **Woodward & Lothrop, Inc. (4/19)**
March 18 filed 30,000 shares of common stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—For reduction of bank loans and working capital. **Office**—Washington, D. C. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

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 Minerals Corp., Thermopolis, Wyo.
Feb. 16 (letter of notification) 250,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To pay current bills and purchase equipment and supplies. **Underwriter**—H. P. Jesperson, 2111 Nicholas St., Omaha, Neb.

★ **Yukon Placer Mining, Inc., Seattle, Wash.**
March 22 (letter of notification) 300,000 shares of common stock (par 10 cents) and $120,000 principal amount of 6% promissory notes due Nov. 1, 1957. **Proceeds**—For mining operations. **Office**—1013 Smith Tower, Seattle, Wash. **Underwriter**—None.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

Prospective Offerings

Alabama Power Co. (5/24)
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 24. **Registration**—Scheduled for April 27.

Alleghany Corp.
Feb. 10 company offered 1,367,440 shares of 6% convertible preferred stock (par $10) in exchange for the outstanding 136,744 shares of 5½% cumulative preferred stock, series A (par $100) on the basis of ten shares of 6% stock for each 5½% preferred share held. Dealer-Manager—Kidder, Peabody & Co., New York.

American Telephone & Telegraph Co.
Feb. 16 directors voted to recommend to stockholders that they authorize a new issue of not to exceed $650,000,000 convertible debentures at their annual meeting to be held on April 20. When issued, each stockholder would receive rights to purchase the debentures in proportion to his holdings of stock (probably on the basis of $100 of debentures for each eight shares of stock held). **Underwriter**—None.

★ **American Trust Co., San Francisco, Calif.**
March 22 it was announced stockholders will vote April 7 on increasing the authorized capital stock (par $10) from 2,500,000 shares to 3,500,000 shares to provide for an offering to stockholders on the basis of one new share for each four shares held. There are now 2,225,000 shares presently outstanding. **Underwriter** — May be Blyth & Co., Inc., San Francisco, Calif.

Augusta Newspapers, Inc., Augusta, Ga. (5/2)
Feb. 28 it was reported company may offer and sell about 55,000 shares of common stock and 35,000 shares of $10 par preferred stock. **Price**—About $11 per common share and $10 preferred share. **Underwriter**—Johnson, Lane, Space & Co., Savannah, Ga.

Baltimore & Ohio RR.
Feb. 10 company received ICC exemption from competitive bidding of up to $345,000,000 of new securities. **Proceeds**—For refunding. **Underwriter**—Feb. 16, Howard E. Simpson, President, announced Glore, Forgan & Co., Halsey, Stuart & Co. Inc. and Alex. Brown & Sons have been engaged to continue studies and formulate plans looking towards a simplification of the railroad's debt structure and a reduction in over-all interest costs.

Bridgeport Hydraulic Co.
March 7 it was reported company plans to offer 22,688 additional shares of common stock (no par) to its stockholders on a 1-for-8 basis. **Underwriter**—Smith, Ramsay & Co., Inc., Bridgeport, Conn. **Offering** — Expected in June.

★ **Central Illinois Electric & Gas Co. (6/7)**
March 28 it was reported company plans to issue and sell $4,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. **Bids**—Expected to be received on June 7. **Registration**—Planned for May 6.

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) in the latter part of 1955. **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).

Chesapeake & Ohio Ry.
Sept. 29 it was reported company plans to issue and sell $40,000,000 of new bonds. **Proceeds**—To refund its outstanding $37,851,000 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

Chicago Corp.
Feb. 14 it was announced company plans to offer to its common stockholders the right to subscribe for one new share of common stock for each five shares held. Stockholders will vote April 29 on increasing authorized common stock from 4,000,000 to 5,000,000 shares. **Price**—To be determined shortly before offering is made. **Proceeds**—For new construction and general corporate purposes. **Underwriter** — May be Glore, Forgan & Co., Chicago, Ill.

Citizens & Southern National Bank, Savannah, Ga.
March 8 it was reported stockholders will vote April 12 on approving a proposed offering for a period of 30 days of 200,000 shares of capital stock (par $10) to stockholders on the basis of two new shares for each seven shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

Collins Radio Co.
Feb. 21 it was reported company plans to issue and sell about 100,000 shares of convertible preferred stock (par $100). **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co., both of New York.

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 $125,000,0000 in 1955. **Underwriters**—For last equity financing were The First Boston Corp. and Glore, Forgan & Co.

★ **Community Telephone Co. of Wisconsin**
March 28 it was reported company plans to issue and sell (to residents of Wisconsin) 14,000 shares of 5¾% cumulative preferred stock (par $25). **Underwriters**—Loewi & Co., Milwaukee, Wis.; and Bell & Farrell, Inc., Madison, Wis.

Consolidated Natural Gas Co.
March 17 the directors approved a plan for offering up to 738,743 additional shares of capital stock for subscription by stockholders on the basis of one new share for each 10 shares held. The offering is tentatively scheduled for early in June. **Proceeds**—Principally to repay outstanding bank loans. **Underwriter**—None.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of $2,000,000 bonds expected early in 1955. **Underwriter** — Tellier & Co., Jersey City, N. J. **Registration**—Expected late in March.

★ **Continental Can Co., Inc.**
March 25 it was announced preferred stockholders will vote April 18 on approving creation of not to exceed an additional $25,000,000 of debentures or other indebtedness maturing later than one year after the date thereof. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of New York.

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.

Doman Helicopters, Inc.
Feb. 17 Donald S. B. Waters, President, announced stockholders voted to increase authorized capital stock from 1,000,000 shares to 3,000,000 shares in anticipation of expansion of the company's activities. **Underwriter**—Previous financing handled by Greene & Co., New York.

Florida Power Corp.
Dec. 31 it was reported company plans to offer to its stockholders about 232,000 additional shares of common stock on a 1-for-10 basis in May or June 1955. **Underwriters**: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Florida Power Corp.
Dec. 31 it was reported company may issue and sell late in 1955 about $10,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp.

Ford Motor Co., Detroit, Mich.
March 15 it was reported that following a probable 10-for-1 stock split, an offering of approximately 4,000,000 new shares will be made to the public. **Price**—Expected to be around $60 per share. **Proceeds** — To the Ford Foundation. **Offering**—Probably in June.

★ **Frite Co.**
March 23 it was reported company plans early registration of 127,500 shares of common stock, of which 27,500 shares are to be sold by the company and the remainder by certain stockholders. **Proceeds**—For general corporate purposes. **Price**—Expected at $10 per share. **Underwriter**—Dittmar & Co., San Antonio, Tex.

● **General Controls Co., Glendale, Calif.**
March 16 the stockholders voted to approve a plan to increase the authorized preferred stock from 60,553 shares to 260,553 shares. It is planned to issue a portion of the new shares to defray in part the purchase of the Controls and Instrument Division of Perfex Corp. **Underwriters** — Last preferred stock offering was handled by Wagenseller & Durst, Inc., and Lester, Ryons & Co., both of Los Angeles, Calif.

General Telephone Co. of California
Dec. 15 company applied to California P. U. Commission for authority to issue and sell 200,000 shares of 4½% preferred stock (par $20). **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—May be Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton.

Georgia 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.
Feb. 15, the stockholders approved a proposal to increase the 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.

Given Manufacturing Co.
March 3 it was reported that company may do some financing in connection with acquisition of Gasinator Mfg. Co., Cleveland, O. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

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.

Hammermill Paper Co.
Feb. 25 it was announced stockholders will vote May 10 on increasing the debt authority to $20,000,000. **Underwriter**—A. G. Becker & Co. (Inc.), Chicago, Ill.

Hartford Gas Co.
March 15 stockholders approved the proposed issuance and sale of $1,500,000 convertible debentures due 1965, first to preferred and common stockholders at rate of $25 principal amount of debentures for each three shares held. **Underwriter**—None. **Offering**—Expected in May or June, 1955.

Hartford Special Machinery Co.
Feb. 24 stockholders were to vote to increase the common stock by 25,000 shares to 62,500 shares (par $20), the additional stock probably to be offered to stockholders. **Underwriter**—None.

Horseshoe Bend Uranium, Inc.
Feb. 1 it was announced that company plans to issue and sell 150,000 shares of common stock. **Price**—$2 per

Continued on page 54

Continued from page 53

share. **Proceeds**—For exploration and development expenses. **Underwriters**—James Anthony Securities Corp., New York; Lawrence A. Hays Co., Rochester, N. Y.; and Ned J. Bowman Co., Salt Lake City, Utah. **Offering**—Probably in April.

★ Illinois Bell Telephone Co. (6/3)
March 29 the company petitioned the Illinois Commerce Commission for authority to issue and sell 663,469 additional shares of common stock to stockholders of record June 3 on the basis of one new share for each six shares held; rights to expire on June 30. American Telephone & Telegraph Co., the parent, owns 99.32% of the presently outstanding stock. **Price**—At par ($100 per share). **Proceeds**—For improvements and additions to property. **Underwriter**—None.

Illinois Central Telephone Co.
Jan. 26 it was reported company plans to sell in Illinois only, 15,000 shares of 5½% cumulative preferred stock. **Price**—At par ($50 per share). **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

Industrial Raw Materials Corp., New York
Feb. 21 it was reported that offering of 125,000 shares of common stock is soon expected. **Proceeds**—To selling stockholders. **Office**—575 Madison Ave., New York 22, N. Y. **Underwriters**—Milton D. Blauner & Co.; Baruch Brothers & Co.; and Hallowell, Sulzberger & Co.

Iowa Public Service Co.
Feb. 28 directors authorized officers to sell 270,220 additional shares of common stock (par $5) to common stockholders on a pro rata basis. **Price**—To be named later. **Proceeds**—For construction program. **Underwriter**—None. **Offering**—No definite date has been set.

Jersey Central Power & Light Co.
Feb. 21 it was reported company plans to issue and sell $12,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Incorporated; Lehman Brothers; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; Kidder, Peabody & Co. **Offering**—Expected before the end of June.

Jersey Central Power & Light Co.
Feb. 21 it was reported company plans to sell $5,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Glore, Forgan & Co. **Offering** — Expected before July 1.

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.

Maine Central RR.
March 22 it was announced ICC had dropped its competitive bidding requirement on the proposed sale of $1,700,000 of new 23-year first mortgage collateral bonds due 1978. **Proceeds**—To redeem approximately $1,400,000 of 5% first mortgage divisional bonds which were sold in 1952 through Blair & Co. Incorporated, New York, and Coffin & Burr, Inc., Boston, Mass.

Maine Central RR.
Feb. 14, E. Spencer Miller, President, said company has not given up the idea of refunding the $17,000,000 5⅛% first mortgage and collateral trust bonds due 1978. Probable bidders for new bonds may include Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. Office—Room 717, 141 Broadway, New York 6, N. Y.

Missouri Pacific RR.
Bids are expected to be received in April for an issue of $3,765,000 equipment trust certificates due 1956-1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair & Co. Incorporated; Kidder, Peabody & Co.

Missouri Public Service Co.
Feb. 14 it was reported company stockholders will vote March 12 on increasing common stock from 530,000 shares to 2,000,000 shares to provide for a 3-for-1 split-up, and additional stock for future issuance. **Underwriter**—May be Kidder, Peabody & Co., New York.

Murphy (G. C.) Co., McKeesport, Pa.
Feb. 8 it was announced stockholders will on April 12 vote on a proposal to increase the authorized limit of indebtedness from $3,000,000 to $20,000,000. **Proceeds**—For expansion program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York, handled preferred stock financing in 1942.

★ National Co., Inc., Malden, Mass.
March 29 stockholders increased authorized common stock (par $1) from 300,000 shares (260,100 shares outstanding) to 400,000 shares. Joseph H. Quick, President, said it is contemplated that some financing will be arranged during 1955 to provide additional capital in connection with the current expansion program. **Underwriter**—Probably A. C. Allyn & Co. Inc., New York.

● National Container Corp.
March 23 it was announced corporation is negotiating for the sale of 250,000 shares of common stock (par $1) and also a second series of $7,000,000 debentures which will carry an annual interest rate of 4½% or 4⅝%. **Proceeds**—To retire bank loans, for expansion program and working capital. **Underwriters** — For debentures, Halsey, Stuart & Co. Inc. and Van Alstyne, Noel & Co.; for stock, Van Alstyne, Noel & Co.

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, Chicago & St. Louis RR. (5/10)
Bids are expected to be received by the company on May 10 for the purchase from it of $4,080,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

★ New York State Electric & Gas Corp.
March 29 it was announced that the company plans to sell about $21,500,000 of securities this year. The type of securities has not been determined. **Proceeds** — For construction program.

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.

Northern Indiana Public Service Co.
Jan. 12, D. H. Mitchell, President, announced that the company plans to raise approximately $12,000,000 of new money (which may be done through sale of preferred and/or common stock). **Underwriters**—Probably Central Republic Co. (Inc.), Blyth & Co., Inc.; and Merrill Lynch, Pierce, Fenner & Beane.

★ Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

Northwest Nitro-Chemicals, Ltd., Alberta, Can.
March 4 company plans to issue and sell publicly debentures and common stock to finance its proposed chemical project. **Underwriter**—Eastman, Dillon & Co., New York.

● Northwest Plastics, Inc., St. Paul, Minn. (4/19)
March 22 it was announced that corporation proposes to offer 24,000 shares of common stock. **Price**—Expected to be $12.50 per share. **Proceeds**—To finance fibre glass division producing a complete line of fibre glass boats and cruisers. **Underwriters**—Irving J. Rice & Co., St. Paul, Minn., and M. H. Bishop & Co., Minneapolis, Minn.

Ohio Edison Co. (5/17)
Feb. 24 it was reported company plans issue and sale of $30,000,000 of first mortgage bonds due 1985. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp. **Bids**—Expected to be received on May 17. **Registration**—Scheduled for April 26.

Oklahoma Gas & Electric Co.
Feb. 23 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds later this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers and Blyth & Co. Inc. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Smith, Barney & Co.

Pennsylvania Electric Co.
Feb. 15 it was reported company plans to issue and sell later this year $[illegible] of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. probable bidders. Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc.

Pennsylvania Electric Co.
Feb. 21 it was reported company proposes issuance and sale of $7,500,000 of preferred stock later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

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.

Philadelphia Transportation Co.
March 11 it was announced that the company plans to refinance the outstanding $10,000,000 Market Street Elevated Passenger Ry. Co. first mortgage 4% bonds which mature on May 1, 1955. **Underwriter** — Drexel & Co., Philadelphia, Pa.

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 May or June, 1955.

Pyramid Electric Co., Jersey City, N. J.
March 18 it was announced company plans to issue and sell 75,000 shares of 5% convertible preferred stock (par $10) through S. D. Fuller & Co., New York. The net proceeds are to be used for expansion and working capital. **Offering**—Expected some time in May.

Radio Receptor Co., Inc.
Feb. 28 it was reported that a public offering is soon expected of about 250,000 shares of common stock, of which 100,000 shares will be sold for account of company and 150,000 shares for selling stockholders. **Underwriter**—Bache & Co., New York.

★ Scholz Homes, Inc., Toledo, Ohio
March 28 it was reported company plans early registration of 150,000 shares of common stock. **Price**—Expected at $5 per share. **Business**—Manufactures pre-fabricated and pre-cut homes. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

★ Southern California Edison Co.
March 29 it was announced company plans to offer approximately $40,000,000 of convertible debentures to its preferred and common stockholders on a pro rata basis, and has sought permission from the California P. U. Commission to exempt the proposed issue from competitive bidding. **Proceeds** — To retire promissory notes and for construction program. **Underwriters**—The First Boston Corp. and Dean Witter & Co. underwrote the last offering of common stock.

Southern California Gas Co.
Feb. 28 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds. Application has been filed with California P. U. Commission for exemption from competitive bidding. Bids received on last sale of bonds were from Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co. and Union Securities Corp. (jointly); Lehman Brothers.

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.

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.

Texas Eastern Transmission Corp.
Jan. 12, George T. Naff, President, referred to the possibility of some $85,000,000 in new financing when and if the company's current application for the reconversion of the Little Big Inch pipeline and the construction of the new natural gas facilities is launched. He indicated that it was possible that $40,000,000 of that assumed $85,000,000 new financing might be in the form of new first mortgage bonds, (to be placed privately), and that based upon the assumptions that he was making he believed that the remainder of the financing would be accomplished by the issuance of debentures and preferred stocks (he did not assume the sale of any comman stock). Plans for the possible issuance of new securities are not at all definite as yet, it was announced on March 4. **Underwriter**—Dillon, Read & Co., Inc., New York.

Texas Instruments, Inc.
March 21 J. Erik Jonsson, President, announced stockholders will vote April 20 on authorizing the creation of an issue of 300,000 shares of cumulative preferred stock

(par $25), of which it is planned to publicly offer about 160,000 shares to be known as convertible preferred stock to common stockholders. **Proceeds**—For expansion and working capital. **Underwriter**—Morgan Stanley & Co., New York.

Transamerica Corp.
Feb. 25 F. N. Belgrano, Chairman and President, announced that company plans to offer publicly 1,346,800 shares of capital stock through an underwriting group. **Offering**—Planned for early in May. **Underwriters**—Blyth & Co., Inc., and Dean Witter Co.

Trav-Ler Radio Corp.
Feb. 21 it was reported company plans early registration of $1,500,000 12-year convertible debentures with stock purchase warrants (each $1,000 debenture to be accompanied by 100 warrants). **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill. **Registration** — Expected in near future.

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).

United Aircraft Corp.
March 14 it was announced stockholders will on April 26 vote on approving a new issue of 500,000 shares of preference stock (par $100). **Proceeds**—To redeem present 5% cumulative preferred stock (233,500 shares outstanding), and for working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York.

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

United Gas Corp.
Feb. 24, N. C. McGowen, President, announced that corporation plans to raise $35,000,000 to $40,000,000 in the first half of 1955 through the sale of additional common stock to stockholders. **Proceeds**—For construction program of company and of United Gas Pipe Line Co., a subsidiary. **Underwriter**—None.

United Gas Corp.
Feb. 24, N. C. McGowen, President, stated that company might be doing some debt financing, with this year's total financing program reaching about $50,000,000 (including about $35,000,000 to $40,000,000 of common stock). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; White, Weld & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly).

★ United States Fidelity & Guaranty Co. (4/5)
Bids will be received up to noon (EST) on April 5 by the Fidelity-Baltimore National Bank & Trust Co., Charles and Lexington Sts., Baltimore 3, Md., for the purchase of 4,230 shares of capital stock. These constitute the aggregate of all fractional shares which would otherwise have resulted from a 20% stock dividend declared by the directors on Jan. 14, 1955. **Proceeds**—To stockholders entitled to receive fractional shares.

Vanadium Queen Uranium Co.
Feb. 21 it was reported company plans to issue and sell 720,000 shares of common stock. **Price**—Expected to be $2.50 per share. **Underwriter**—Van Alstyne, Noel & Co., New York.

Virgina Electric & Power Co. (6/7)
Feb. 19 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the near future.. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co. **Bids**—Expected June 7.

Wabash RR. (4/5)
Bids will be received by the company up to noon (EST) on April 5, at 44 Wall Street, New York 5, N. Y., for the purchase from it of $1,530,000 equipment trust certificates, series F, to be dated May 1, 1955, and to mature in 15 annual installments from May 1, 1956 to May 1, 1970, both inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

★ Washington Gas Light Co.
Feb. 26 it was announced company plans to issue and sell about $8,000,000 refunding mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Union Securities Corp. **Offering**—Expected before July 1.

Washington Steel Co., Washington, Pa.
March 1 it was announced stockholders will vote April 28 on approving an issue of 30,000 shares of cumulative convertible preferred stock (par $50). **Proceeds**—For expansion program and working capital. **Underwriter**—Probably Singer, Deane & Scribner, Pittsburgh, Pa.

Western Union Telegraph Co.
March 15 it was announced that consideration is being given to the issuance of some additional shares of common stock through an offering to stockholders. Stockholders will vote April 13 on approving a 4-for-1 split of the company's stock and the issuance of an additional 1,580,000 new shares, part of which are expected to be offered as aforesaid, but no definite financing plans have been formulated.

Westpan Hydrocarbon Co. (4/15)
Dec. 11 it was reported Sinclair Oil Corp. will ask for bids for 384,861 shares of Westpan stock about April 15, 1955, if it has not been able to dispose of these holdings before that date. **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

Our Reporter's Report

The lag in the new capital market continues quite pronounced but up to this point there has not been any real complaint from underwriters and distributors of new securities.

They may not be entirely satisfied with the relative dearth of business yet with institutional investors in their present mood, reticent to say the least, the struggle to place new debt issues bought at competitive sale is still a bit on the rough side.

Large capital pools with funds available for investment, such as the insurance companies, remain pretty much aloof. And judging by the comment of market observers of long experience the line of demarcation between a successful deal and a laggard is pretty clearly drawn.

Negotiated undertakings which usually are priced to fit prevailing conditions move out quite readily. But in the case of securities obtained through competitive bidding the situation is quite the reverse.

Big insurance companies apparently are still able to negotiate sufficient in the way of private business to take care of their needs. And meanwhile they continue to place substantial amounts in the mortgage field.

This contingent, it appears, remains inclined to stand aside pending some further correction of prices and yields in the seasoned market. At any rate they are not yet in a receptive mood.

Negotiated vs. Bids

It's easy to understand why the Street favors negotiated business over that taken in on a bidding basis. One need look no further than what has happened recently in the market.

Union Oil Co. of California recently sold an issue of $60,000,000 of subordinated convertible debentures which found a better than ready market. It had the added flavor of an off-the-track maturity being due in 20 years.

Priced at 100 for public offering the debentures began trading at a premium of four points and later lifted the edge to better than six points.

Meantime some recent public utility offerings made via the bidding route, have had hard-going. Kansas Gas & Electric, Atlantic City Electric and Texas Electric Service episodes are just a few of cases in point.

General Dynamics

From all indications the forthcoming $40,000,000 issue of convertible debentures being prepared for market by General Dynamics Corp. is stirring up plenty of investor interest.

Undoubtedly this is due in part to the rather spectacular behavior of the stock in recent weeks. But people evidently find considerable attraction in debt issues carrying a conversion privilege for the "call" which it provides on the issuer's stock.

This offering being done by negotiation with underwriters is due out next midweek and unless present indications are subject to change, will find inquiry brisk.

Forward Calendar

While next week's potential in new issues will not set the world on fire in point of volume it promises to be a bit more on the productive side.

In addition to the General Dynamics debentures, investors will have a chance to look over another sizable offering. Tennessee Gas Transmission Co., also by negotiation, has $25,000,000 of new 20-year debentures on schedule for Wednesday.

And there is the prospect of $20,090,000 of debentures for Pacific Northwest Pipeline Co. coming along, this one, too, through negotiations.

With E. E. Henkle
(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Randall C. Salisbury is now with E. E. Henkle Investment Company, Federal Securities Building.

With Remmele Johannes
(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio—John W. Burner has become affiliated with Remmele-Johannes & Co., 1126 Oakwood Avenue.

Joins First Cleveland
(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Richard P. Brannan is now associated with The First Cleveland Corporation, United Savings Building.

Joins F. L. Putnam
(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Mildred G. Douglas has joined the staff of F. L. Putnam & Company, Inc., 77 Franklin Street, members of the Boston Stock Exchange. Miss Douglas was previously with Vance, Sanders & Co.

Baker, Simonds Adds
(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Hugh C. Jackson has joined the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — You can write off the Fulbright inquiry as an interesting if tense experience for the nation's financial community. There isn't going to be any legislation of any kind arising as a consequence of these three weeks of public hearings — under presently foreseeable circumstances.

It is natural to recollect the free-wheeling inquiry of more than two decades ago, the one which served as a prelude to extensive regulatory legislation, including the SEC laws. The purpose of that earlier inquiry, of course, was to cut the financial community off from the support of public opinion so the task of enacting regulatory legislation would be a snap, and the politicos could both discredit the business opposition to overall radical proposals and claim credit for saving the world, so to speak.

Senator J. William Fulbright (D., Ark.), the Chairman of the Banking Committee, was operating this inquiry as a free lance enterprise of his own. It was not backed by the Democratic leadership, or that is to say, the leadership did not put the Senator onto this.

Mr. Fulbright, it is believed, honestly disclosed in full his intentions when he said (a) that he wanted to learn whether the market was so high as to jeopardize the present high level of the economy, and (b) that he knew of no evils to expose or which needed correction by legislation.

Now that the hearings are over, Senator Fulbright is said to be satisfied with the results of the study. He feels that it has been a beneficial enterprise in educating the public to a sense of caution. At the same time he sees no problems which clearly need legislative correction.

If Senator Fulbright scared the dickens out of the financial community by trotting out as an early witness, one of the brightest and most vocal of the academic radicals who thoroughly indicted the state of affairs, the Arkansas Senator, on the other hand, was impressed by leading authorities including Chairman Demmler of the SEC, who pointed out that you cannot legislate good judgment. For while Senator Fulbright becomes more "liberal" with each passing year, he is a man who will listen thoughtfully to the other side.

Should the prices of securities go into a tailspin and thereafter overall business volume should decline, then a genuinely hostile Congressional investigation with possible damaging legislation could be expected: This would be as natural to expect as to anticipate that in the wilds of the North, if a sleigh horse fell there would be timber wolves around to attack the animal before it could rise to its feet.

Manpower Goals Will Stay Put

Despite agitation for boosting manpower goals, those set by the Eisenhower Administration are expected to stand pat, barring a much steeper involvement in defending Quemoy and Matsu than is now anticipated.

It is reported that the Army is plugging for a large boost in its projected size, on the theory that the nuclear superiority of the United States will last for only two or three years more, and that a greater Army is necessary to meet the Russian threat.

In the first place, reliable military observers discount the dogma which has been put out lately to the effect that U. S. nuclear superiority is limited to a two or three-year period. In the second place, it is not believed that Russia has the strategic bombing force, either of aircraft or of men trained to operate them successfully, capable of delivering nuclear weapons, even if the Reds have as many H bombs as does the United States.

Outline Strategy in Europe

Now that France has approved the Western agreements, the basic strategy for NATO has been outlined.

At the present time the forces of the Western European Union are hopelessly outnumbered, and could not possibly stop a Russian occupation of western Europe.

When Germany gets her 12 divisions, 1,300 aircraft, and some 300 light naval craft, THEN the Western European Union will have sufficient forces to require the Reds to bring a considerable concentration of their own forces to bear in order to win at any given point. This is three to four years away.

Since, with German help, the Reds would have to concentrate their forces at some point or points to break through, then the Western powers could use and would use nuclear weapons against those concentrations. This would be absolutely essential, for even with all the forces in sight, the Western World still would be heavily outnumbered. The West, it is said, is entirely incapable of fighting the Reds with conventional weapons because of inferior numbers.

It is because the Reds comprehend this strategy that all their propaganda is now directed at trying to scare Western Europe out of the use of nuclear weapons, and try to "sell" some kind of an agreement that will deprive the West of its superiority in nuclear bombs. This will be the Reds' prime objective for another 4-power conference.

White House Snafu Continues

Notwithstanding the troubles Mr. Eisenhower is having with Congress and some more shortly to come, the White House is still operating on the working principle that "papa," meaning the White House, "knows best," or that Congressmen are not to be consulted until it is time for the gentlemen of Capitol Hill to do what papa wants done.

Senator Francis Case (R., So. Dak.) brought out the latest illustration of how the White House loves this technique. The proposed highway bill drafted by the White House staff, purports to say that "there is hereby appropriated," etc., certain gasoline taxes which shall go to service the Highway Corporation's bonds.

Senator Case noted that under the law the Public Roads Committee, to which the bill is assigned, simply cannot report out a bill allocating revenues or appropriating money. The fooling with revenues is a matter for the Ways and Means and Finance Committees. The appropriating of money is a matter for the Appropriations Committees. Even if the Senate Public Roads Committee were for Eisenhower's bill, which it isn't, if it attempted to report out the bill Chairman Harry F. Byrd of the Finance Committee could kill it on a point of order.

BUSINESS BUZZ

"No, they're not for sale—some people just like to put on airs!"

If "any one in the Administration had consulted any one in Congress," observed Senator Case, in advance of drafting the bill, this "mess," as the Senator called it, could have been avoided. But the Senator stated in open Committee that so far as he knew not one of the President's advisers had consulted any one in Congress in advance.

That means that the Administration has out-smarted itself and has delivered the heart of the bill to its most formidable enemy, Chairman Byrd.

Bill Is Losing

It is now appearing that the Administration's extra-budgetary gimmick won't have a chance in the Senate. Both Republican and Democratic sentiment is hardening against setting up this Corporation to borrow outside the debt limit and spend outside the budget.

Whether Congress will double highway spending within the budget, however, remains to be seen.

Incidentally, Secretary Humphrey's testimony clarifed the reason why the Administration is seeking this extra-legal procedure. The Secretary's testimony made it clear the Administration wanted to keep this expense outside the budget so it could present a facade of continuing to reduce Federal expenses.

Senators who listened to the Secretary's testimony got the impression that if it hadn't been for the ardent desire of President Eisenhower to get a highway spending program going outside the budget, Mr. Humphrey would not have approved such a scheme on his own motion. They believed the Secretary made as convincing a show as a chippy would trying to sing in a church choir.

White House Gets Sore

A second illustration of the "papa knows best" philosophy relates to one of the most distinguished of the Republican leaders who in 1954 piloted more far-reaching legislation proposed by the President than any similar Chairman of any similar Committee had done in perhaps the 20th Century.

This individual, notwithstanding heroic and successful work, was refused the gift of a minor appointment for a qualified constituent because this individual refused to go along with Mr. Eisenhower on one piece of legislation that the President wanted.

Finally, the chances are pretty good that IF any reciprocal trade bill is passed by the Senate, it will be amended drastically. And when it goes to the House, the amendments will stay, for Speaker Rayburn will not this time hold his finger in the dike.

(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 Man's Bookshelf

Approaches to Urban Renewal in Several Cities—Urban Renewal Administration—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 25¢.

Budgetary Process in the United States — Arthur Smithies — McGraw-Hill Book Co., New York, N. Y.

Capital Gains and Losses — Bertram Harnett — Practising Law Institute, 20 Vesey Street, New York 7, N. Y. (paper), $2.00.

Company Guide to the Selection of Salesmen—Milton M. Mandell — American Management Association, 330 West 43rd St., New York, N. Y.—$4.75.

Co-operatives: The British Achievement — Paul Greer — Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.00.

Estimating Maryland Government and Business Potentials — Bureau of Business and Economic Research, University of Maryland, College Park, Md. (paper).

Income of Kentucky Residents by County: 1953—John L. Johnson —University of Kentucky, Lexington, Ky. (paper).

Medieval Trade in the Mediterranean World: Illustrative Documents, translated with Introductions and Notes by Robert S. Lopez—Columbia University Press, New York 27, N. Y.—$6.75.

Tax Program for Economic Growth — National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y.—$1.00 (10% discount for 10 copies or more; prices on request for over 100).

Taxability of Fringe Benefits, The —J. Henry Landman—reprinted from March 1955 issue of "Taxes" — Commerce Clearing House, Inc., Chicago 1, Ill. (paper).