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EDITORIAL

As We See It

This is the season when millions of American citizens are struggling with those documents which for so long have been grist for the mills of cartoonists and satirists—the annual income tax schedules and now, in addition, guesstimates of what taxable income is to be in the year which has mostly still to come. Apart from any question of tax payments, these reports or returns are, of course, a weariness of the flesh and a vexation of the spirit. Many an otherwise law-abiding citizen still does not meet the requirements of the statutes and goes through this agony each year—and that despite all the cajoling and threatening of governmental authorities, and, of course, heavy penalties provided for those who do not toe the mark. However, the vast majority of us whose income is at all substantial, and whose conscience is not overly flexible, proceed each year with this troublesome and sometimes quite expensive business, and indeed have come to accept it as a part of a none too comfortable existence in this mid-twentieth century.

The thoughtful observer, as a matter of fact, is obliged at times to wonder if we have not too fully accepted it all as inevitable if not warranted by the facts of the time. One must suspect that this type of tax carried to the extremes which now rule in this country is doing more damage to the economic progress of the land that we realize or understand, and that it would do much more harm were it not for the fact that ways and means still exist to avoid within the law the full force of what at least some of the lawmakers intended. Of course, the chief objection to the whole scheme of things is the excessively steep "progressiveness" of the system, an attribute which not only

Continued on page 24

Uranium Resources For Industrial Power

By JESSE C. JOHNSON*
Director, Division of Raw Materials
United States Atomic Energy Commission

Mr. Johnson reviews the expansion of uranium production and the rapid spread of areas in which the mineral is being mined. Estimates, in U. S. alone, private uranium activities now have a value of about $100 million annually, while developments in Canada, South Africa and elsewhere have a comparable status. Says most of known uranium deposits in U. S. may be mined out within next decade, but additional exploration is expected to more than offset this loss. Discusses uranium production as a by-product of other minerals, and concludes reserves of uranium can be greatly increased if price is increased.

The purpose of this paper is to present a general picture of uranium resources known today. I also want to point out the need for more discussion on nuclear fuel requirements for the atomic power program. Although the program still is in the development and planning stage, the future picture is unfolding and long-range projections are now being made. The Forum and the Stanford Research Institute are performing a valuable public service in bringing together for public discussion organizations and individuals interested in the development of nuclear power for industrial use. Many of your members are making substantial technical and financial contributions to the progress of this development.

Jesse C. Johnson

Uranium producers also have an important stake in the development of nuclear power for industrial use. Probably more private capital is going

Continued on page 26

*An address by Mr. Johnson at the Joint Meeting of the Atomic Industrial Forum and Stanford Research Institute, San Francisco, Cal., April 5, 1955.

Profit Margins

By JULIUS GRODINSKY*
Wharton School of Finance and Commerce
University of Pennsylvania

Dr. Grodinsky, noting the trend toward lower profit margins both on sales and on capital investments, holds this trend is a factor with which investors will have to grapple. Points out rapid growth of sales of many companies has frequently concealed the declining profit margin, and therefore a combination of declining sales and profit margins constitutes a threat during adverse periods. Gives data on profit margins in some companies and their relation to stock prices. Concludes prudent investor must become a student of changing profit margins and the causes thereof, as well as conditions which affect them.

In a buyer's market characterized by surplus capacity the profit earned per dollar of invested capital, and per sales dollar becomes an increasingly important investment factor. Capacity has been steadily increasing over a large sector of the national economy. In some industries it has not yet matched the increasing demand. In many others, and this number is tending to increase, the potential supply in the form of productive capacity is tending to exceed the demand. In response to this factor, though there are many others, profit margins over the past seven years have been declining. For manufacturing corporations the Federal Trade and the Securities and Exchange Commissions provide nationwide data. Pre-tax profits in cents per dollar of sales have shown a year to year decline since 1950. Within the pattern of this overall decline, another clear tendency is the close correlation between the size of an enterprise and its profit margin.

Julius Grodinsky

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*An address by Dr. Grodinsky before the Institute of the Investment Bankers Association and the Wharton School of Finance and Commerce, Philadelphia, Pa., April 8, 1955.

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(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.)

CHARLES A. TAGGART

President and Treasurer
Charles A. Taggart & Co., Inc.
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Koehring Co.

Since the stock of the last previous company I wrote about in this column has appreciated just under 99% from the time the article was written until the present, I was willing to rest on my laurels, but the editors of the "Chronicle" will not let one do that.

Charles A. Taggart

One reason I have confidence in the future of the Koehring Company, engaged in the manufacture of construction equipment, is the 10-Year National Highway Program. Most of the products manufactured by Koehring are in the construction equipment category, and the company probably has the widest range of products of any single company in the construction machinery field. In the order of their dollar importance, the products are cranes and shovels, concrete mixing and paving equipment, rubber-tired hauling equipment, concrete batching and material handling equipment and trenching machines.

Aside from the level of public and private construction which last year ran at approximately a $37 billion level and which is estimated in 1955 to run in the neighborhood of $39 billion, there are the proposed plan for a sustained ten-year program to bring our road system up to an adequate level for 1965's expected traffic and automobile population. At the present time, a substantial part of our highway system is inadequate for its traffic loads due to the fact that new road building each year for the past 15 years, it is said, has fallen short of meeting the increased demands. In addition, many of our roads built during the '20s with an expected life of 25 to 30 years have been completely worn out and are only kept in operation through excessive and expensive maintenance measures.

In August of last year, President Eisenhower created an Advisory Committee on a National Highway Program headed by General Lucius D. Clay. Studies have been completed and the program should be underway by July, 1955.

There is competition in the industry, but the proposed road building program would keep them all busy at increased capacities for at least four years. Koehring's competitive position would appear to be good with plants at Milwaukee (home office) and Port Washington, Wisconsin; Newton, Iowa; Champaign, Illinois; Chattanooga, Tennessee and Stockton, California. The manufacturing plant at Chattanooga is part of an expansion move since 1950 as well as a plant at Brantfort, Ontario, both requiring a total of $5,850,000 in fixed and working capital. The company has also established a partially owned subsidiary company in Yokohoma, Japan, which has not required any working capital. The Japanese subsidiary is 25% owned by Koehring and 75% owned by the Ishikawajima Co. of Tokyo. The plant, including machinery and personnel, was contributed to the enterprise by the Ishikawajima Co., and the line of products and technical assistance in getting the plant underway were provided by Koehring. The parent company receives a 5% engineering fee from the Japanese affiliate on all material shipped from the plant, and under the terms of the agreement with the Japanese Foreign Exchange Commission this money can be left as working capital for the Japanese firm or withdrawn at Koehring's option. The capital put into the Chattanooga and Canadian plants is expected to contribute to profit this year for the first time.

Koehring's capitalization is conservative. As of Nov. 30, 1954, it consisted of $3,940,500 of long-term debt and common stock and surplus of $12,591,609. There are 348,761 shares outstanding. As of the same date, the current position was good with current assets of $14,478,343 against current liabilities of $3,986,082 affording a working capital of $10,492,261. A current ratio of 3.4 to 1.

It is my opinion that the figures in the tabulation below give a very good indication of the management's ability to participate fully in the National Highway Program ($000 omitted):

	Net Sales	Net Profit	Net Worth
1954	$25,197	$785	$12,591
1953	26,156	1,197	12,370
1952	26,473	1,139	10,621
1951	24,473	1,273	8,660
1950	17,848	1,133	7,893
1949	17,664	963	8,337
1948	20,624	1,251	7,767
1947	16,597	1,205	6,834
1946	12,009	776	5,970
1945	13,046	478	5,451

The dividend pay-out in the last 10 years has averaged about 56%. In the last three years $2.20 a share has been paid plus a 10% stock dividend in 1952.

The stock of Koehring Co., traded in the over-the-counter market, is quoted 33-34 as this is being written. I consider it a businessman's risk.

ALBERT G. WOGLOM

Manager Trading Departments
Goodbody & Co., Boston, Mass.
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Collyer Insulated Wire Common

It is indeed a pleasure to again write for your column "The Security I Like Best." Perhaps a more appropriate label for the stock I shall here describe is, "The Security I Feel Safest With"; because it offers a good yield, sells at a low price-times-earnings ratio, and merits a "medium-investment" rating.

Albert G. Woglom

Collyer Insulated Wire common stock is currently selling in the 35½-36¼ bracket, over the counter. The 1954 annual statement reports net income of $952,344 after taxes, or $6.35 on each of the 150,000 shares outstanding. Quarterly dividends of 50c plus a December extra of 50c, or a total of $2.50, were paid last year. Yield is over 7%. 1954 marked the 37th consecutive year that Collyer has paid dividends—an enviable record. Financial and physical condition is excellent, with cash and U. S. Government bonds alone exceeding current liabilities of $1,630,676. Collyer has no other liabilities or debts. Each share of common stock is backed by $26.60 of net current assets and $37.30 of book value.

To a degree, the electric wire and cable industry is a growth industry, since, among others, it serves the utility, electronic, housing, air-conditioning, and related industries. Its products are used wherever electricity is to be transferred to another location. When and if atomic power replaces coal, oil, and gas as a source of heat and light, insulated wires still will have to carry the energy to its ultimate destination.

But, competitively, any company is only as good as its management, and Collyer's is among the best. In confirmation of this statement, generally a most difficult one to prove except by "hindsight," is the fact that Collyer has, in recent years, increased its share of the total U. S. wire business by a considerable percentage (the exact figure is confidential). There is only one conclusion—that Collyer is taking business from its competitors, and that's the kind of "Security I Feel Safest With."

This Week's Forum Participants and Their Selections

Koehring Company—Charles A. Taggart, President and Treasurer, Charles A. Taggart & Co., Inc., Philadelphia, Pa. (Page 2)

Collyer Insulated Wire Company—Albert G. Woglom, Manager of Trading Dept., Goodbody & Co., Boston, Mass. (Page 2)

COMING EVENTS

In Investment Field

April 18, 1955 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia dinner in the Regency Room, Barclay Hotel.

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.

May 26, 1955 (Columbus, O.)
Columbus Stock and Bond Club annual outing at the Brookside Country Club.

June 2-3, 1955 (Memphis, Tenn.)
Memphis Securities Dealers Association annual outing at the Chickasaw Country Club.

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

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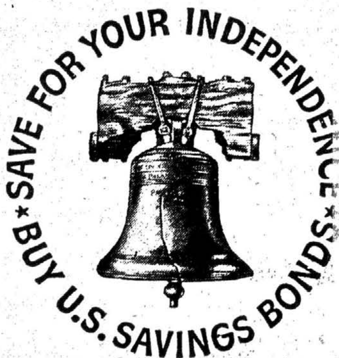

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A Defense of Federal Reserve Policy

By ALLAN SPROUL*
President, Federal Reserve Bank of New York

Mr. Sproul denies Federal Reserve suffers from an "inflation complex," which is leading it to adopt economically undesirable credit restrictions. Says monetary authorities fear deflation more than inflation, and points out a policy of credit restriction is seldom popular and therefore subject to attack. Holds recent shift in monetary policy was "to mop up an overhang of excess funds in the banking system which needed to be removed." Contends a moderate firming of interest rates during economic recovery is a constructive rather than a damaging process.

First, let me go back to the period at the beginning of 1953, when the Federal Reserve System was following a policy of credit restraint. It has become an article of faith, with some of those who are suspicious of monetary policy or of those who now administer it, that credit restriction at that time was the cause of the recession of 1953-54, and that the recession was an unnecessary consequence of an inflation complex on the part of the monetary authorities. We are held to be so fearful of inflation, that we forget or ignore high levels of production and employment as goals of economic policy.

Allan Sproul

Let us see what there is of truth and what there is of falsehood in these accusations. Superficially, the economic situation in the early months of 1953 did present a bright picture. Employment had reached new high levels and unemployment was at the lowest level, for that time of year, since the end of World War II. Industrial output was crowding the limits imposed by the labor force, capital equipment, and the available supplies of essential materials. Commodity prices, according to the indexes of aggregates, were stable.

One does not have to dig far below the surface, however, to find soft spots which detract seriously from this bright picture. Accumulation of business inventories was going forward at a rate which indicated that too large a part of current production was going into stocks held by manufacturers, wholesalers, and retailers, rather than into current consumption. In the second quarter of 1953, for example, such inventory accumulation was at the annual rate of about $6 billion compared with less than $3 billion in the first quarter of the year. This doubling of the rate of accumulation of inventories, which far exceeded the rate of increase in Gross National Product, was a measure of "false" growth. Such an imbalance between production and consumption could not go on without a breakdown sooner or later.

At the same time that this accumulation of business inventories was taking place, consumer spending was being supported by an increasing use of consumer credit which also presented elements of instability. During the year ended April, 1953, the total volume of consumer instalment credit outstanding increased by $5 billion or about one-third. But even with this extraordinary addition to current income, consumer demand was not sufficient to come near to clearing the market.

Finally, the apparent stability of commodity prices, in the aggregate, was the net result of diverse movements in the prices of individual groups of commodities. Prices of many industrial goods were rising, but prices of farm products and foods were declining, a decline which reflected primarily a rate of production in excess of current demand. There was stability in the price indexes but instability in the price structure.

The Choice Before the Monetary Authorities

The choice before the monetary authorities was whether to supply the reserves which would encourage further distortions in the economy, or to try to slow down the rate of credit expansion so as to spread out the "good times" over a longer period, and reduce the danger of a later economic collapse. In the event, it was enough, and at the end more than enough, to let the pressure of demand, and of anticipatory demand for credit, press against the available supply so as to prevent the further blowing/up of a "bubble on top of a boom." Of course, there was no check plot to tell us what might have happened if we had not pursued the policy we did in early 1953. But I find it beyond belief that an easy money policy in the boom atmosphere of the period would have made it possible for the country to avoid a recession in 1953-54, and to avoid even mild adjustments of that magnitude for the indefinite future. Such a belief would fly in the face of all that is known about the way changes occur in a dynamic enterprise economy.

It is also held against us, however, that other forces were already in motion, early in 1953,

Continued on page 28

*An address by Mr. Sproul at the 16th Annual Pacific Northwest Conference on Banking, Pullman, Wash., April 7, 1955.

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Latest Slant on Offshore Oil

By IRA U. COBLEIGH

Enterprise Economist

Some drill notes about the pace and progress of petroleum production on the gentle slopes of the Gulf tidelands.

All the recent enthusiasm about Pembina and other new oil fields in West Canada has tended to draw attention away from the rather spectacular doings of the drill boats in the Gulf. Where $30,000 to $50,000 can, with good fortune, bring in for you a fairly good common or garden variety oil well (upwards of 40 bbls. a day) in the Canadian Prairies, it can cost a million dollars and more to bring in a well in the offshore Gulf. But, despite the vast difference in original outlay, there are some important elements of attraction in the Gulf operation.

Ira U. Cobleigh

First of all is the percentage. For those not up to date on tidal results, it may be of interest to know that of 516 tidelands wells drilled (mostly off Louisiana) since May of 1946, 282 are producers bringing in around 52,000 barrels of oil and condensates daily. For those of you now following baseball batting averages, this percentage of strikes works out to above .500% which is definitely a big league showing—in this instance the leagues are offshore, however.

The fact that seagoing drilling costs many times the land variety has tended to confine such operations to the larger oil companies. Not only can you run into seven figures (and 10,000 feet) drilling a single tidal well, but the land leases (not to be confused with Lend Leases) are by no means cheap. For example, on Oct. 14, 1954, Forest Oil Company of San Antonio bid $6,100,000 for 5,000 water soaked acres in the Eugene Island area—$1,220 an acre if you slice it up. Altogether, in that first bidding for the right to probe Federal Lands (beginning 10.38 miles offshore and running out) $129 million was tendered Uncle Sam, mostly by big outfits like Shell, Continental, Humble, Cities Service, Atlantic, Keer-McGee, and Standard of California. On leases like this, the government gets $3 an acre annual rental, win, lose or draw; plus a sweet one-sixth royalty on any actual production. Uncle Sam never had it so good, as far as real estate operation is concerned.

Naturally, all this dough doesn't get on the line for a small play. Actually, the total potential of the tidelands is fantastic. Some of the most respected petroleum prophets have estimated offshore reserves at 10 billion barrels on Federal lands alone, which would indicate a possible total ultimate royalty to the government (at present prices for crude) of above $5½ billion! Perhaps another cut in the Income Tax lies ahead—surely a pleasant thought for a paper reaching you April 15!

In any event, because of the high percentage of offshore strikes, the wide and rich producing bands being reached at practical depths, and the broad potentials of the Continental shelf which offers shallow drillable sea floor out as far as 100 miles from shore—all these factors have made for an oil boom off Louisiana and Texas. This boom has now attracted 31 companies, all busy with leasing, mapping and laying out millions for platforms, barges, drilling and equipment rentals. And that brings up an interesting question that is fascinating the marine architects. Which type of rig is best for Gulf drilling? So far there have been offered at least four answers.

First there was the big stationary drill platform, expensive to build, locate, and place in operation. Then if you drilled and missed, removal, dismantling and relocation were not only cumbersome but extremely costly.

Next came the armada technique—smaller derrick platforms, and a flotilla of attendant craft—pipe boats, crew vessels, tugs and work boats. All this fleet had to scurry to inshore havens if hurricane warnings were sent out; and bad weather could do a lot of harm to the drilling installations.

That led the ingenuity of engineers and marine architects to design portable drill platforms—ones that could be towed to drill sites, and solidly moored. Then the platform could either be towed to a more likely spot, if the drilling proved fruitless; or replaced by a permanent platform allowing the portable unit to be moved on to start a new search. A pioneer among these portable self contained craft, was the Kermac Rig 44 commissioned Sept. 23, 1954, owned by Kerr-McGee Oil Industries, Inc. This was what is called a submersible craft, with a heavy barge-type hull, about 200 feet long and 13 feet thick, supporting (by about 20 tubular columns) a drill platform. When the Kermac 44 gets on location, the barge is flooded, submerges like the Nautilus and lands on the sea floor, steadied and made firm by pontoons on each side. This brings the fully equipped platform (with crew quarters) to a point safely above the waves, where drilling can be done in water up to 45 feet in depth.

Then another design was brought forward—what you might call the stilt model. A good example of this is the DeLong Drill Unit, commissioned on Feb. 2, 1955, and now at work for Humble Oil Co., off Grand Isle. This has a completely equipped drill platform standing on 14 steel tubes, or stilt-like legs. Air jacks can raise or lower the platform to desired height above the waves. The stilts have cylindrical tanks bulging at their lower ends. They're called doughnuts, and they keep the whole rig from sinking into the mud on the sea floor. This DeLong rig, 220 feet long and 117 feet wide, is owned by the Offshore Company and has the advantage of being able to drill in water up to 100 feet deep.

A third type is the design recently advanced by Zapata Off-Short Co. It's a three legged platform to be built by LeTourneau at a cost of about $2,800,000. Sponsors believe that this milking stool type suspension requires less fixed structure than other types, and offers good mobility and defense against the elements.

All of the barges noted above are built to withstand the high winds and angry seas which buffet the Gulf on occasion, and it will be interesting to see just which type works out best at its dedicated task—the location of oil.

So far this has all been kind of technical with no particular meat for investors so now we switch to a consideration of companies that look good as vehicles for investment, or speculation, in the Gulf tidelands oil potential.

Among the big companies with a sizable stake in oil offshort from Louisiana and Texas are Continental, with some 160,000 net tidal acres, Gulf with 133,000, Humble with 317,000, Shell with 150,000, Atlantic Refining with 140,000, Texas Co. with 525,000, Phillips with 115,000, Standard of California 120,000, and Kerr-McGee with around 77,000. The biggest actual producers now are Shell, with daily production of around 18,000 barrels, and Standard of California, around 13,000. Most of the common stocks of these companies are listed on N. Y. S. E.

If, however, you feel that in this group you are a little remote from the actual drilling, you might like to consider a couple of smaller newcomers, lessees of barges. Such would include Zapata Off Shore Company (builder of the 3 legged unit) whose shares were recently offered for subscription at $5.50 and American Tidelands, Inc., whose submersible barge, No. 101, was recently placed in service under lease to Humble Oil Co. at a reported lease of $5,800 per day. American Tidelands common was offered at $1 last year and now sells around 1⅜. Prospectuses covering both of the above will give you all the authentic facts. Pioneering in a new field of floating equipment, they offer considerable allure to those of a sporting turn of mind. J. Ray McDermott, Inc., is another interesting company you might wish to look into.

This Gulf tidelands play is going to be big. Production should move up to around 80,000 barrels a day this year, and a truly vast petroleum reserve may prove to lie underneath the Continental Shelf which offers a gently sloping terrain (descending only about a foot a mile), and affording an almost ideal sea floor for the drill craft we've described. East Texas, West Texas and Louisiana oil fields are now fabulous. Maybe the next big one will be the pompano pastures south of the bayou country.

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BURLINGTON, IOWA — A. G. Edwards & Sons, members of the New York Stock Exchange, have opened a branch office in the National Bank Building under the management of Carl H. Kleinkopf. Mr. Kleinkopf was formerly local manager for T. C. Henderson & Co.

The State of Trade and Industry

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

A fractional decline took place in total industrial production in the period ended on Wednesday of last week, but output held at about 10% greater than the level of last year at this time.

During March factory jobs showed the largest increase over February in a period of nine years, according to Secretary of Commerce Weeks and Secretary of Labor Mitchell. March employment in manufacturing lines rose to 16,265,000, an increase of 134,000 over the prior month. Notwithstanding this spurt, however, total non-farm employment was down 69,000 from February. But a 608,000 jump in the number of farm workers carried total employment up 539,000 to 60,477,000. This was a few hundred above the year-earlier level.

The number of workers drawing unemployment compensation fell for the ninth straight week, the United States Department of Labor reported.

A drop of 61,800 in the week ended March 26 left the total of jobless pay claims at 1,503,500. This compared with 2,151,700 a year earlier and with 1,976,173 in the week ended last Jan. 22, when the nine-week decline started.

Some 40 states reported decreases in unemployment among workers covered by state compensation laws.

In the following week, ended April 2, the number of workers filing their first claims for idle pay jumped by 18,000 to 228,700. This compared with 338,770 a year earlier.

The rise was attributed mainly to technical factors. A number of states began a new "benefit year" April 1, allowing previously ineligible workers to seek compensation. For instance, a rise of 7,000 in new claims in Illinois was attributed to the start of a new benefit year.

But seasonal layoffs in clothing plants also helped boost the total of new claims. Apparel layoffs caused claims to rise by 4,400 in New York and by 600 in New Jersey.

In the steel industry some major producers are operating far in excess of capacity without making any appreciable dent in order backlogs. Incoming business is running as much as 50% above capacity among the larger mills, "The Iron Age," national metalworking weekly, currently states.

Steel ingot production this week may break the all-time record of over 2,300,000 tons set in week of March 23, 1953. Production may reach a peak of 97-98% of capacity this year. Individual rolling mill records in many companies have been shattered and more records will topple before the upsurge has run its course.

Production is not the only problem confronting the industry, scrap supply is another. State and Defense departments, which favor free export of scrap, appear to be winning out over control-minded Commerce Department. Uncontrolled exports would further tighten domestic scrap supply, it notes.

Foreign steel consumers are up against it since they are short on productive capacity, but long on demand. They need semi-finished steel from the United States to feed their finishing mills. But United States producers, up to their ears in domestic business, are not so interested today as they were several months ago, states this trade authority.

As a result, export business from England, West Germany, Holland, France and other countries is going begging. Within the last month to six weeks, a half million tons of foreign orders have been making the rounds here. The outlook portends a steel shortage in Europe this year.

The mills are still fighting a losing battle on the delivery front. The list of products that have fallen behind on delivery is growing and some producers are setting aside a month's production this summer in the hope of becoming current, concludes "The Iron Age."

In the automotive industry last week United States car and truck production was scheduled 5% under the previous week's record 206,262 units due to Good Friday and Easter week-end observances.

"Ward's Automotive Reports" estimated April 4-9 output at 169,044 cars and 28,757 trucks, compared to 177,295 and 28,967 a week earlier. The latter counts boosted March car (794,177) and combined car-truck production (904,473) to new peaks. Previous marks set in June, 1950, were 720,100 and 855,321.

Last month's surge enabled the industry to set new quarterly marks during January-March—2,129,665 cars and 2,393,874 cars and trucks. The record has been 1,898,783 cars and 2,249,284 cars and trucks established during July-September, 1950.

Steel Output Scheduled at 95% of Capacity This Week

Steel demand and production have leveled off, says "Steel," the weekly magazine of metalworking, the current week, but both are high and should remain so most of this quarter.

It is neither surprising nor alarming that an end of the upsurge has come. The leveling off came only after the production rate climbed to 95% of capacity—a rate much higher than many people anticipated, it states.

Holding at 95% in the week ended April 10, the ingot production rate stood still for the second consecutive week. Until two weeks ago the rate has risen continuously since the first of the year. At the beginning of the first quarter, the ingot rate was only 75%. It was 95% at the start of the secon

Promising a high level of steel output in the second quarter are orders on the books and there is little likelihood of any sizable cancellations. All indications, declares "Steel," point to a good level of business among steel consumers through the second quarter. If anyone does find he has ordered more steel than he will consume this quarter, he is unlikely to cancel out his order.

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Observations . . .

By A. WILFRED MAY

PENDING FACETS OF SENATE'S MARKET INQUIRY

WASHINGTON—The Fulbright inquiry into stock market doings may be down, but it is far from out. The so thoroughly-publicized Hearings held last month will have constituted a mere preliminary step in a program of education and legislative policy.

A. Wilfred May

Within the next few days there will appear a voluminous staff report. This will be a basic document of 12 or 13 chapters, factual and analytical, containing a multitude of fundamental long-term informative data relevant to the securities markets. It is to be a tightening-up of the document which the Committee's staff supplied to the members for briefing for their use in advance of the original sessions. Titled, *Factors Affecting Stock Prices*, its coverage will include recent stock market behavior, the place of the stock exchanges in the nation's economy, the place of the Over-the-Counter Market, categories of stock ownership, relation of business conditions to the market, credit, tax policies, impact of institutional investment, and psychological factors.

Its permanent use as an "Investment Bible" is anticipated in some quarters.

Report on the Hearings

Subsequently there will be issued a Committee *members'* overall report summarizing the salient points developed at the Hearings, along with some recommendations. The first previously-devised report mentioned above will not include anything that transpired at the hearings. The second document will contain some conclusions to the alternative effect either that all is wrong; all is well; or that some further quest into the advisability for legislation is in order. It appears the Committee will straddle possibility one and two, and fall in line with the third.

New "Lehman Hearings"

In any event, hearings soon will be initiated into specific areas under the aegis of a subcommittee on "Securities and Investment" under the Chairmanship of Senator Lehman.

The first area to be given such thorough treatment will be the functioning of the institutional buyers. A fundamental look will be taken at the effects of the growing market participation and holdings by this class of investor. The subcommittee Chairman himself has been most concerned about this phase, including possible sinister allegations of undue control via these users of "other people's money."

The Proxy Administration Problem

Another important question to get special witnesses along with Committee discussion will be the mechanics of the proxy machinery. Setting this off specifically will be the postponed consideration of Senator Capehart's bill to disclose the identity of the "backers" of any attempt to oust management via the proxy machinery. The basic purpose guiding the Committee, as it does the SEC, will be to balance the constructive purpose of preserving the legitimate rights of management against flippant attacks, with on the other hand preserving the democratic rights of the scattered owners. An essential difficulty about effectuating Senator Capehart's unexceptional purpose seems to be the practical one of providing the machinery to identify just who is a "backer."

To make effective the use of the proxy solicitation machinery by the anti-management shareholder the practical conclusion would seem warranted, that in view of the 3-to-6% minimum approval rule and also as from practical considerations, a certain amount of "elbow grease" in enlisting the prior support of some of the substantial public stockholders is indispensable and proper.

On the basis of testimony to be adduced before the sub-committee, definite legislation may be suggested affecting the solicitation machinery, on the premise that the expense of solicitation is a one-way road-block discriminating against the would-be and actual "insurgent." Such recommendation for smoothing out the expense burden may follow the lines either of prescribing that, in the event of its subsequent defeat, management shall get re-imbursed only for its expenses up to a "norm" amount, for which the yardstick would be the total incurred in its previous non-controversial solicitations. And the suggestion may emerge to facilitate the insurgent's effort by re-imbursing him in full if he is successful in winning over some less-than-majority proportion, as perhaps 25 or 30%, of the vote.

In addition to this expense-reimbursement area, specific suggestions will be adduced, as for limiting the number of words of management's rebuttal to the same maximum as that imposed on the shareholder; and also possibly invoking curbs on managements' solicitation efforts midst contests.

Further Identification

Also certain to be brought up at these subsequent hearings is complaint that has been made against non-identification of solicitors of stock *tenders*. In support of such provision, it is contended that the stockholder requires such identification prior to his arrival at an intelligent decision; that the buyer is entitled to know whether an improper kind of person is involved.

Against such reform the argument will be made that in practice it will not make the public better off; that it would have precluded advantageous deals in the past; and that, in any event, such disclosure is not the practice in real estate or in other kindred areas.

Un-Registered Issues

Another area headed for consideration by this sub-committee will be that of the over-the-counter markets, regarding which certain legislation has already been pending, and the case of other companies not subjected to full registration requirements.

Among the latter are some of the issues still inconsistently enjoying so-called unlisted trading privileges on exchanges.

The Economic Outlook: 1955-56

By GEORGE H. HILDEBRAND and FRANK E. NORTON*
University of California, Los Angeles

Two West Coast economists analyze in considerable detail data on business and economic conditions in the current year and project the outlook into 1956. Furnish estimates of the demand for the national product and the probable volume of private domestic investment. Estimates are also made of personal consumption expenditures and of employment and unemployment. The conclusions are that 1955 will be a prosperous year, but there is some doubt regarding 1956, though an increase is expected in aggregate demand, and, "on the whole, the outlook for next two calendar years is good."

I. Introduction

Present indications rather strongly suggest that 1955 will be a good year for the American economy. Gross national product

G. H. Hildebrand Frank E. Norton

should increase by about $9.5 billion, up 2.7% from $357.1 billion in 1954, with no change in overall prices. If the physical productivity of labor rises by 2.5% and working hours average 40 per week, total civilian employment will run at about 61.6 million persons. Given an expected increase of 600,000 persons in the civilian labor force, average unemployment should not exceed 3.5 million. This would be about 5.4% of the enlarged labor force, which is just over the 3-5% range customarily viewed as "full" employment.

Our estimate for 1955 is based upon rather conservative assumptions regarding the componets of total demand for national output. Purchases of goods and services by all levels of government are expected to decrease by $2.3 billion from 1954, mainly because Federal purchases were contracting all through the latter year. Federal purchases are assumed to remain at fourth quarter 1954 rates, primarily because the national security program has now officially touched bottom at $40.5 billion per year. State and local government purchases ought to rise by $2.0 billion.

Gross private investment was cautiously estimated at $51.4 billion in 1955, up only $5.3 billion from 1954, with the entire increase stemming from an expected expansion of 13% in nonfarm housing outlays and a small advance in business inventories. By contrast, nonfarm producers' plant and equipment outlays are expected to decrease by about 2% from 1954. Farm investment is expected to hold at 1954 levels, while net foreign investment is figured at zero.

The last component of total demand—personal consumption expenditures—is estimated to run at $238.7 billion for 1955, up 2% from 1954. This figure assumes, first, that disposable personal income will maintain the same relationship to national product that it hasin recent years,and particularly that there will be no marked changes in the government tax and transfer payment structure or in the dividend and depreciation policies of private business. Second, the consumption figure assumes that consumption will maintain the same relationship to disposable personal income that prevailed in past prosperous years. These assumptions mean that we expect no significant change in the gross corporate propensity to save, the personal propensity to save, or the government propensity to tax, hence that a determinant "multiplier" may be applied to anticipated increases in gross private investment and government purchases of goods and services.

For calendar 1956, the overall outlook is also quite bullish, although the underlying support for our forecast is considerably more conjectural. On our estimate, gross national product should rise $11.3 billion over 1955, increasing by 3.1% to a level of $377.9 billion. With the physical productivity of labor again rising by 2.5% and with a 40-hour week prevailing, employment in 1956 would average 61.9 million persons. Given the addition of another 600,000 persons to the civilian labor force, unemployment would rise to a 5.78% rate, averaging 3.8 million. This would indicate a moderate amount of slack in the economy, though 1956 would still be a very prosperous year, well in excess of the 1953 peak of $364.9 billion.

Taking up the components of total demand for 1956, we assume that government purchases will rise by $3.8 billion over 1955, with both the federal and the state and local sectors contributing to the increase. We are assuming here that federal outlays on national security will continue at $40.5 billion, that other federal purchases will rise to $7.3 billion (up $1.6 billion), and that state and local government purchases will expand to $31.7 billion (up $2.2 billion). This makes total government purchases come to $79.0 billion as compared to $75.2 billion in 1955. We base the increases at all levels on the strong likelihood that Congress this year will enact substantial highway and school programs, whose costs will be jointly shared by the federal and state governments. If anything, our allowance for such proposed spending seems quite modest.

For gross private investment in 1956, we have assumed conservatively that outlays on nonfarm producers' plant and equipment will remain at expected 1955 levels, despite projected increases in national product for 1955 and 1956. Likewise, farm investment and net foreign investment were assumed to hold at 1955 levels. By contrast, we would expect an increase of at least $1.0 billion in inventories, to bring total stocks more into line with the expected overall increase of over $20.0 billion in total output between 1954 and 1956. We also assume that nonfarm housing outlays will continue at the 1955 rate corresponding to 1.4 million units. On these estimates, gross private investment would run at about $51.9 billion in 1956, up about a half-billion over 1955.

Using the relationships among gross national product, disposable personal income, and personal consumption expenditures again for 1956 as in 1955, our forecasting equation indicates consumption in 1956 will run at $245.7 billion, up $7.0 billion (2.9%) from the estimate for 1955.

Regarding our estimates, certain reservations must be borne in mind, for the actual final magnitudes of the component variables cannot be perfectly foreseen in an uncertain world. On the one hand, it is quite possible that the highly volatile item of inventory investment may turn strongly upward under the impetus of expanding national product. Highways and other public construction programs are also capable of marked expansion beyond our current expectations by 1956. Actual warfare, or even increased international tensions, would, of course, exert strong upward effects. On a less dramatic level, it is quite possible that net foreign investment may turn positive if the economic recovery of western Europe proceeds far enough to raise imports from the United States significantly. Finally, there is a good prospect that personal income tax rates will be cut in the lower brackets in 1956—an election year—which would further stimulate consumption.

On the other hand, spending on nonfarm housing may now be running at too high a rate to be sustainable for two more years, particularly if mortgage money should become tighter. A further drop in investment for producers' plant and equipment in 1956 is also at least a possibility, for such capital facilities have been rising faster than output during the postwar years. Moreover, current output of automobiles has been running at unprecedentedly high rates. Any marked downturn, by reason of market saturation or strikes, would also depress the steel and transportation industries, with negative derivative impacts on the rest of the economy. Also, our overall forecast for consumer spending, while based on a well fitting regression equation, may be somewhat too large for these particular years.

Continued on page 30

*A paper prepared by Messrs. Hildebrand and Norton and delivered before the Southern California Economic Association, Los Angeles, Calif.

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Impact of Government Policies on Capital Outlays

By NEIL H. JACOBY*
Dean, School of Business Administration
University of California, Los Angeles

Former member of President's Council of Economic Advisers, after discussing several propositions relating to plant and equipment expenditures of business, traces effect of capital spending on economic growth. Concludes the main source of improvement in our economic welfare is the size and excellence of our stock of tools and equipment put into the hands of workers. Says our recent progress along this route is highly encouraging, and urges a government policy to encourage as well as to stabilize capital outlays.

During the course of these remarks, I shall try to clarify and demonstrate the truth of several propositions.

Neil H. Jacoby

First, that expenditures by business enterprises on plant and equipment play a role of central importance in the growth and stability of the American economy, and should be a matter of deep interest to makers of public policy.

Secondly, that while the amount of plant and equipment expenditure by business firms is determined by numerous factors, long-term considerations appear to have become dominant during recent years.

Thirdly, that there is now no general "surplus" of plant and equipment in the United States, despite large wartime and defense outlays on manufacturing facilities; the current rate of spending for this purpose is in line with the present size of our economy and its normal growth requirements.

Fourthly, that governmental policies to help promote a high and sustained rate of plant and equipment expenditure in the future should focus upon measures to create public confidence in an expanding economy, free from serious depressions or inflations, and upon actions to accelerate the pace of technological progress.

Economic Role of Plant and Equipment Expenditure

When viewed simply as a proportion of total national expenditures, the outlays of business concerns on new plant and equipment do not appear to be very important. In 1954 they amounted to less than $27 billion in an aggregate gross national expenditure of $357 billion, or only 7.5% of the total. In other words, what we may call, for simplicity, "capital spending" by business amounted to about $1 out of each $15 of gross expenditure in the nation.

Capital spending during 1954—a typical year in this respect—was small in comparison with either personal consumption expenditure of $234 billion, or with government expenditure on goods and services of nearly $78 billion. Yet there is no doubt that the dollars spent by business on plant and equipment were a more important determinant of the course of economic events than any equivalent amount of other expenditure. Plant and equipment expenditures are the heart of the process of economic growth. They hold the key to the business cycle—that rhythm of boom and depression which has caused our country great difficulty in the past. It will repay us to examine carefully the ways in which the flow of plant and equipment expenditure can be kept strong and steady in the future.

Effect of Capital Spending on Economic Growth

The outlays made by businesses on plant, equipment, and machinery are the very core of our economic growth. Unless the tools and equipment used by workers on farms, factories, mines, and offices are multiplied and improved, the average output per hour of work cannot increase much, if at all. Our hope for a better scale of living and more leisure in the future, as well as for the continued security of our nation in a troubled world, depends mainly upon increasing the productivity of human effort. And this, in turn, hinges principally upon the quantity and quality of mechanical power, tools and machinery which we provide to each productive worker. It is now well recognized that the high wages and living standards of Americans, which are the marvel of the world, result largely from the fact that the skills of the average American worker in agriculture and industry are backed by plant, tools, and equipment costing, in current prices, an average of about $10,000 per worker. This is a figure vastly larger than its counterpart in any other industrialized nation.

Effect of Capital Spending on Economic Stability

Business expenditures on plant and equipment are also of prime importance in determining the relative stability of our economy and its freedom from booms and depressions. Dollars spent—or unspent—on capital goods are "high-powered" dollars, having a manifold influence on total demand and therefore on the health of the economy. For example, a decision to spend $1 million to build and equip a plant at a time when all resources are fully employed means that, during the process of completing the plant, $1 million additional spending power will be paid out to construction workers, equipment makers, and contractors. They, in turn, will increase their demand for consumer goods and services; although there will be no increase in the supply of consumer goods and, in a fully-employed economy, there may even be a reduction in the supply if there is a transfer of manpower and resources from consumption goods to investment goods.

Hence, a business decision to increase capital spending will be highly stimulative to the economy, in comparison with a business decision to increase by an equal amount outlays for the production of such consumer goods as shoes, or butter, or gasoline, since in the latter case both incomes and the supply of consumer goods will rise concomitantly. By the same token, a reduction in the rate of capital spending can have a sharp contractive effect. By reducing the demand for consumer goods at the same time that it tends to shift resources into their production, prices tend to fall, and a process of cumulative economic contraction may begin.

Historically, business spending on new plant and equipment has been very unstable—up to recent times. During the Great Depression of 1929 to 1932 such spending fell by 75%. Between 1937 and 1938 it fell by 42%. In contrast, between 1948 and 1949 the reduction was 13%; between 1953 and 1954 it was only 6%. The greater stability of capital spending during the last two periods of cyclical contraction is a noteworthy tendency which helps to explain why these economic recessions were comparatively mild.

Why Businesses Make Investments in Plant and Equipment

Granted that a strong and steady stream of business expenditure on plant and equipment is necessary to maintain a prosperous economy how can the economic policies of government help bring this result about? To answer this question, we do well first of all to examine capital expenditure from the point of view of the business manager. What considerations lead him to buy new plant and equipment?

Students of business administration and finance have identified a number of reasons which lead business managers to invest in new plant and equipment. Some of these factors involve immediate or near-term considerations, the principal ones being the following: The percentage of productive capacity currently being utilized; the near-term prospect for sales; recent and prospective trends of profits; the amount of liquid assets held by the business; current costs of new equipment; interest rates and costs of borrowed money; and stock market prices and equity financing costs.

In addition to these short-term factors, a number of long-term motives underlie business investment. Current investment is influenced by a long-range capital plan involving an estimate of the firm's competitive position in its market five or ten or more years away. Business managers calculate on reducing costs and prices by taking advantage of equipment utilizing a new technique. They speculate upon improving the quality of their products through better processing apparatus. They add new products to the firm's line, rounding out the sales appeal to distributors. They seek to make their production processes more efficient, in many instances by acquiring highly-specialized machinery and even structures, which cuts the costs of mass-produced items. Or, they are obliged to match past or expected actions of a competitor to improve his market position by investment in the latest type of equipment.

There is persuasive evidence that more and more American business concerns are scheduling expenditures on plant and equipment by reference to long-term considerations. As a result, these expenditures in the aggregate are becoming less erratic through time than they have been in the past. Thus, when sales in many lines fell off after mid-1953, businessmen did not call a halt to investment in fixed facilities. Generally, they held to their long-term plans for modernizing, replacing, or expanding their machinery and their factory, store, and office buildings.

Factors Making for More Stable Capital Spending By Business

There are two basic reasons for a more stable rate of capital spending by business. In the first place, confidence has been rising among businessmen, as well as among other people, in the ability

Continued on page 24

*An address by Dr. Jacoby before the 8th Annual Bay Area Management Conference, Oakland, Cal., March 16, 1955.

From Washington Ahead of the News

By CARLISLE BARGERON

In this country there are more than 160 million people. Our country is the most highly industrialized. It is unquestionably the most powerful nation in all the world.

Yet you are going to hear in the next few weeks a lot about the complete disintegration of this vast organization because of *l'affaire* John Foster Dulles and Edward J. Corsi. It provides an amazing example of the propaganda that is being fed to the American people in these times.

Carlisle Bargeron

I have known of Mr. Corsi for 15 years. For that period and even longer than that he has been prominent in New York State Republican politics because he has been supposed to have a political influence with the Italian-Americans of New York, he being one of them. I know of no instance in which his fellow Italian-Americans have followed him into the Republican camp except in the Willkie Presidential campaign of 1940 when they, deeply resentful of the crack Roosevelt the Great had made about Mussolini having stabbed France in the back, went almost unanimously for Willkie. Ordinarily, as every political student knows, they are Democrats. As an Italian-American Republican, Mr. Corsi has stood out and attained considerable political stature.

A few weeks ago, Secretary of State Dulles, a terribly naive fellow in the ways of American politics, brought Corsi to Washington to move in on and undermine "Scotty" McLeod who has charge of administering the legislation governing the admission of refugees. It is part of the fight being made on the Walter-McCarran Immigration Act.

The Walter-McCarran Act is nothing more than a revised modification of the immigration laws which have been in effect in this country since 1920. It is based upon the national origins test which was fought out in Congress more than 30 years ago. At the time the question was the country's ability to assimilate immigrants. The rule adopted was that immigrants would be admitted in relative proportion to their national stock that had already become established in this country.

I am not discussing the merits of the proposition. The facts are, however, that there is now a tremendous agitation to admit more Eastern and Southern European immigration. That the Walter-McCarran Act did not do this has subjected the co-authors, Congressman Walter and the late Senator McCarran to some of the most vicious abuse any American citizens have ever undergone. Also "Scotty" McLeod has been subjected to the same sort of abuse. It is contended that he is anti-semetic and anti-Italian, thoroughly un-American, pro-McCarthy, etc., in that he won't let down the bars in the Administration of the refugee act, by which some 300,000 refugees, outside of the Walter-McCarran Act, would be permitted to come into the country. McLeod's job is to screen them. His critics say he shouldn't screen them so thoroughly.

Now, in this situation, one of vital importance to the country, one in which this writer is taking no sides, but which is something that the Congress has very definitely decided, there have been increasing efforts to circumvent the laws.

It was in this respect that Mr. Corsi was brought down to the State Department. The word quickly got out that he was to supersede Mr. McLeod in the Administration of the refugee act. His appointment by Mr. Dulles did not require confirmation by the Senate.

Well, Congressman Walter went to the bat. By way of attracting attention he publicly accused Mr. Corsi of having previously belonged to organizations listed by the Attorney General as subversive.

He insisted upon his accusations in the face of Mr. Corsi's denials, to the point that Mr. Dulles has removed Mr. Corsi from the job for which he was brought down here and offered him, instead, the job of studying Latin-American immigration.

Mr. Dulles has sought to make it plain that he takes no stock in the charges about Mr. Corsi's alleged subversive associations, and I must say that neither do I.

But there is not the slightest doubt that Mr. Corsi's job and his ambition was to permit a freer flow of Eastern and Southern European immigration into the country and that would be in circumvention of laws argued out and passed by Congress. They may be right or wrong but certainly they should not be bypassed, for political purposes, by the executive branch.

The Eisenhower Administration, however, is now in for as much sweating as it has had over the Formosa situation. Already, I believe, an Italian-American organization has threatened the Administration with the loss of more than 1,000,000 Italian-American votes. And apparently upon this Mr. Corsi hopes to ride to national fame.

But if the Eisenhower Administration is wise it will realize that the Republicans have never had those more than 1,000,000 votes except the time Roosevelt insulted Mussolini. I met Mr. Corsi the other night and told him this, and he knew I stated the facts.

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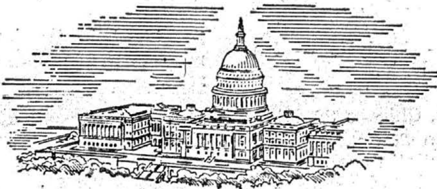
New Issues

$111,980,000
New Housing Authority Bonds

The Bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable pursuant to an Annual Contributions Contract between the Public Housing Administration and the Local Public Agency issuing said Bonds in the opinions of bond counsel. Said annual contributions will be payable directly to the fiscal agent of said Local Public Agency in an amount which, together with other funds of the Local Public Agency which are actually available for such purpose, will be sufficient to pay the principal of and interest on the Bonds when due.

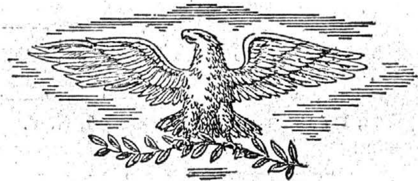
The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the Public Housing Administration pursuant to the aforesaid Annual Contributions Contracts.



Quotation from an opinion of the Hon. Herbert Brownell, Jr., Attorney General of the United States, to The President of the United States, dated May 15, 1953:

"IN SUMMARY, I AM OF THE VIEW THAT: * * * A CONTRACT TO PAY ANNUAL CONTRIBUTIONS ENTERED INTO BY THE PHA[1] IN CONFORMANCE WITH THE PROVISIONS OF THE ACT[2] IS VALID AND BINDING UPON THE UNITED STATES, AND THAT THE FAITH OF THE UNITED STATES HAS BEEN SOLEMNLY PLEDGED TO THE PAYMENT OF SUCH CONTRIBUTIONS IN THE SAME TERMS ITS FAITH HAS BEEN PLEDGED TO THE PAYMENT OF ITS INTEREST-BEARING OBLIGATIONS."

1 Public Housing Administration. 2 United States Housing Act of 1937, as amended.



Interest Exempt, in the opinion of counsel to the Underwriters, from Federal Income Taxes by the provisions of the United States Housing Act of 1937, as amended.

Legal Investments, in the opinion of counsel to the Underwriters, for Savings Banks and Trust Funds in New York and certain other States.

Bonds Issued by Local Public Agencies which are, or are located in:

2⅜% Scale A

$4,390,000 Allegheny Co., Pennsylvania
1,170,000 Connellsville, Pennsylvania
1,815,000 Westmoreland Co., Pennsylvania

$1,200,000 Gloucester, Massachusetts 2⅜%
(Not being reoffered by the Underwriters)

2½% Scale B

$1,115,000 Evansville, Indiana
7,245,000 Louisville, Kentucky
5,090,000 Columbus, Ohio
3,995,000 Dayton, Ohio

2½% Scale C

$15,420,000 Los Angeles, California
27,470,000 Detroit, Michigan
29,245,000 New York City, New York
3,255,000 Akron, Ohio
575,000 Hamilton, Ohio
$1,445,000 Portsmouth, Ohio
4,955,000 Toledo, Ohio
955,000 Warren, Ohio
1,360,000 Zanesville, Ohio
1,280,000 Galveston, Texas

Maturities, Rates, Yields and Prices

	Scale A 2⅜%	Scale B 2½%	Scale C 2½%		Scale A 2⅜%	Scale B 2½%	Scale C 2½%		Scale A 2⅜%	Scale B 2½%	Scale C 2½%		Scale A 2⅜%	Scale B 2½%	Scale C 2½%
1956	1.00%	1.00%	1.00%	1966	1.75%	1.75%	1.75%	1976	2.20%	2.20%	2.25%	1986	100%	2.45%	100%
1957	1.10	1.10	1.10	1967	1.80	1.80	1.80	1977	2.20	2.25	2.30	1987	100	2.45	100
1958	1.20	1.20	1.20	1968	1.85	1.85	1.85	1978	2.25	2.30	2.35	1988	100	2.45	100
1959	1.30	1.30	1.30	1969	1.90	1.90	1.90	1979	2.25	2.30	2.35	1989	100	2.45	100
1960	1.40	1.40	1.40	1970	1.95	1.95	1.95	1980	2.30	2.35	2.40	1990	100	2.45	100
1961	1.50	1.50	1.50	1971	2.00	2.00	2.00	1981	2.30	2.35	2.40	1991	2.40	100	2.55
1962	1.55	1.55	1.55	1972	2.00	2.00	2.05	1982	2.30	2.35	2.40	1992	2.40	100	2.55
1963	1.60	1.60	1.60	1973	2.05	2.05	2.10	1983	2.35	2.40	2.45	1993	2.40	100	2.55
1964	1.65	1.65	1.65	1974	2.10	2.10	2.15	1984	2.35	2.40	2.45	1994	2.40	100	2.55
1965	1.70	1.70	1.70	1975	2.15	2.15	2.20	1985	2.35	2.40	2.45	1995	2.40	100	2.55
												1996	—	100	2.55

(and accrued interest)

The Bonds of each issue will be callable ten years from their date at a call price of 104 and accrued interest, and thereafter, at the times and call prices, as stated in the Offering Prospectus.

The Bonds are being offered, subject to award, when, as and if issued and received by us, and subject to approval of legality, with respect to each issue, by bond counsel to the underwriters. The offering is not made hereby, but only by means of the Offering Prospectus, copies of which may be obtained from such of the undersigned and other underwriters as are registered dealers in this State.

Blyth & Co., Inc. Phelps, Fenn & Co. Lehman Brothers Shields & Company The First Boston Corporation Goldman, Sachs & Co. Harriman Ripley & Co. Incorporated Smith, Barney & Co. R. W. Pressprich & Co.

Drexel & Co. Eastman, Dillon & Co. Equitable Securities Corporation Merrill Lynch, Pierce, Fenner & Beane Stone & Webster Securities Corporation White, Weld & Co. Bear, Stearns & Co. Union Securities Corporation

A. C. Allyn and Company Incorporated Alex. Brown & Sons Coffin & Burr Incorporated Estabrook & Co. Ira Haupt & Co. Hemphill, Noyes & Co. Hornblower & Weeks Lee Higginson Corporation F. S. Moseley & Co.

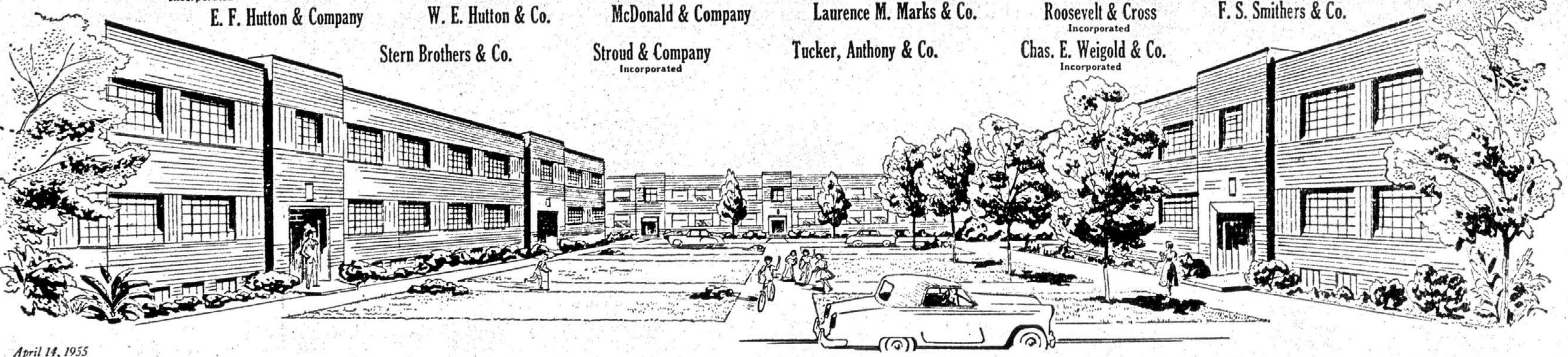
Paine, Webber, Jackson & Curtis Reynolds & Co. L. F. Rothschild & Co. Schoellkopf, Hutton & Pomeroy, Inc. American Securities Corporation Bacon, Stevenson & Co. Baxter, Williams & Co. A. G. Becker & Co. Incorporated

Braun, Bosworth & Co. Incorporated Clark, Dodge & Co. R. S. Dickson & Company Incorporated First of Michigan Corporation Gregory & Son Incorporated Hirsch & Co. Kean, Taylor & Co. Wm. E. Pollock & Co., Inc. Dean Witter & Co. Wood, Struthers & Co.

Byrne and Phelps Incorporated Courts & Co. Francis I. duPont & Co. Eldredge & Co. Incorporated Folger, Nolan-W. B. Hibbs & Co., Inc. Geo. B. Gibbons & Company Incorporated Hallgarten & Co.

E. F. Hutton & Company W. E. Hutton & Co. McDonald & Company Laurence M. Marks & Co. Roosevelt & Cross Incorporated F. S. Smithers & Co.

Stern Brothers & Co. Stroud & Company Incorporated Tucker, Anthony & Co. Chas. E. Weigold & Co. Incorporated



April 14, 1955

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Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy Review—Study—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Atomic Map, in four colors (revised)—Describing and locating atomic activity of 97 different companies—Atomic Development Securities Co., 1033 Thirtieth Street, N. W., Washington 7, D. C.

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

Common Stocks for Pension Fund Investment—45 selected issues—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Christiana Securities Co.**

Electronics—Analysis of outlook—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on the **Rail Outlook.**

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

Japanese Shipping Industry—Analysis in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

New York City Bank Stocks—Quarterly analysis of 14 banks Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oil Stocks—Survey with particular reference to **Cities Service, Ohio Oil, Phillips Petroleum, Socony-Vacuum, Standard Oil of Ohio** and **Union Oil of California**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **American Brake Shoe Co.**

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.

Tax Free Dividend Payers—Bulletin—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a bulletin on **Northern Pacific.**

* * *

American Telephone & Telegraph—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

American Viscose — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y.

Bank of America—Analysis—Sutro & Co., 407 Montgomery Street, San Francisco 4, Calif.

Brooklyn Union Gas Company—Annual Report—Secretary, Brooklyn Union Gas Company, 176 Remsen Street, Brooklyn 1, N. Y.

J. P. Burroughs & Son, Inc.—Circular—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Clinton Foods, Inc.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Gas Service Company—Analysis—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Getchell Mine, Inc.—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available are reports on **Consolidated Water Power & Paper Company, Oswego Falls Corporation**, and **Dun & Bradstreet, Inc.**

Gulf Life Insurance Company—Analysis—Pierce, Carrison, Wulbern, Inc., Barnett Building, Jacksonville, Fla.

Gulf Sulphur Corp.—Memorandum—Fridley, Hess & Frederking, First National Bank Building, Houston 2, Texas.

Holiday Brands, Inc.—Bulletin—Lamont & Company, 89 State Street, Boston 9, Mass.

Inland Steel Company—Analysis—Sutro Bros. & Co., 120 Broadway, New York City. Also available are analyses of **Selection Trust, Ltd.** and **American Metal Co., Ltd.**

Iowa Southern Utilities—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available are bulletins on **Holeproof Hosiery** and **Maine Public Service.**

Japan Precision Industry — Analysis in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho Nihonbashi, Chuo-ku Tokyo, Japan. Also in the same issue is an analysis of **Mitsubishi Metal Mining.**

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

Minerals Processing Company—Report—Allen E. Beers Company, Western Saving Fund Building, Philadelphia 7, Pa.

Mississippi Shipping Co. — Memorandum — Muir Investment Corp., 101 North St. Mary's, San Antonio 5, Texas.

National Cylinder Gas Company—Annual report—Newey & Conway, 231 South La Salle Street, Chicago 4, Ill.

New England Lime Co.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

New York Central Railroad—Annual report—Secretary, New York Central Railroad, 230 Park Avenue, New York 17, N. Y.

Norris-Thermador Corporation—Analysis—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

Ohio Turnpike Commission—Annual report—Blyth & Co. Inc., 14 Wall Street, New York 5, N. Y.

Outboard Marine & Manufacturing—Bulletin—Cowen & Co., 54 Pine Street, New York 5, N. Y.

Reaction Motors, Inc.—Analysis—Amott, Baker & Co., 150 Broadway, New York 38, N. Y.

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

Southeastern Public Service Co.—Report—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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

Standard Oil Company (Indiana)—Annual Report—Standard Oil Company, 910 South Michigan Avenue, Chicago 80, Ill.

Stokely-Van Camp—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. In the same bulletin are data on **International Telephone, Royal McBee** and **Mead Johnson.**

Stromberg Carlson Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Vulcan Detinning Co.**

Textron American, Inc.—Analysis—Blair & Co. Incorporated, 44 Wall Street, New York 5, N. Y.

Texas Illinois Natural Gas Pipeline Company — Analysis — William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

U. S. Plywood Corp.—Memoradum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

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

Williamson Par Three Inc.—Circular C-2—E. E. Smith Company, 15 William Street, New York 5, N. Y.

NSTA Notes

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold their 20th annual spring outing on Friday, May 13th, at the Country Club of Maryland. A buffet dinner will be served at 7 p.m. Handsome prizes will be awarded for the events of the day. Charles A. Bodie, Jr., Stein Bros & Boyce, is chairman of the Entertainment Committee. Member tickets $6 each; guest tickets $9. Reservations may be made with John C. Yeager, Baker, Watts & Co.

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association will hold their annual convention at the Grand Hotel Mackinac Island, Michigan. A special train will be operated for members both going and returning, leaving New York and Philadelphia on Saturday afternoon, Sept. 10th and Chicago that evening with arrival at the Island Sunday afternoon. Returning from the Island on Sept. 15th with arrival in Chicago, Philadelphia and New York on Friday the 16th.

MEMPHIS SECURITIES DEALERS ASSOCIATION

The Memphis Securities Dealers Association has announced its plans for its annual outing. Invitations will be extended without geographical limitations for the outing to be held at Memphis, Tenn., June 2 and 3, 1955.

An interesting program of entertainment is being planned with the usual golf privileges of the Chickasaw Country Club, which will be headquarters. In addition a boat trip is being planned for the guests to enable them to view President's Island, the newly developed Port Facility located on the Mississippi River.

Edward F. Thompson, Union Planters National Bank, is President of the Association, and A. L. Whitman, Bullington-Schas & Company, is General Chairman for the Annual Outing.

Van Ingen, Jr., V.-P. Of B. J. Van Ingen Co.

B. J. Van Ingen & Co. Inc., 57 William Street, New York City, underwriters and distributors of municipal bonds, have announced that Bernard J. Van Ingen, Jr., has become associated with the firm as a Vice-President.

B. J. Van Ingen, Jr.

Mr. Van Ingen for the last nine years has been associated with The First Boston Corporation where he was an assistant Vice-President in the buying department of the Mnuicipal Bond Division.

Following his graduation from Yale University in 1945, he served as a Naval officer, and after his discharge he joined The First Boston Corporation.

With L. F. Rothschild

Martin L. Gillman and Robert F. Von Hoffmann are now associated as registered representatives with L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

With Marsh Planning

(Special to THE FINANCIAL CHRONICLE)

CANTON, Ohio — Russell V. Jones is with Marsh Planning & Investment Co., Inc., of Washington, D. C.

A. W. Ault Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Nixon Lutz has become associated with A. W. Ault & Co., 105 East Fourth Street.

Loren and Stallman Joins Krensky & Co.

CHICAGO, Ill. — Ira Norman Loren and Albert J. Stallman have joined Arthur M. Krensky & Co., Inc., Inc., 141 West Jackson Boulevard, members of the New York Stock Exchange, as registered representatives, it was announced by Arthur M. Krensky, President of the Chicago securities brokerage firm.

Mr. Loren formerly was associated with J. P. O'Rourke & Co. of Chicago. Prior to that, he was with Cruttenden & Co., Chicago.

Mr. Stallman was formerly associated with Irving Weis & Co. of Chicago.

Walter L. Gwynne

Walter L. Gwynne passed away April 7, at the age of 72 at his home in Florida. Mr. Gwynne was formerly a member of the New York Stock Exchange and was one of the original members of the New York Curb Market which is now the American Stock Exchange.

Progress Report & Summary:
Southeastern Public Service Co.
Copy on Request
TROSTER, SINGER & CO.
HA 2-2400 — *Members: N. Y. Security Dealers Association* — *74 Trinity Place, New York 6, N. Y.* — NY 1-376

Nomura Securities Co., Ltd.
Member N.A.S.D
Broker and Dealer
Material and Consultation on Japanese Stocks and Bonds without obligation
61 Broadway, New York 6, N. Y.
Tel.: BOwling Green 9-0187
Head Office Tokyo

DEPENDABLE MARKETS

DEMPSEY-TEGELER & CO.

Bonanza Oil & Mine
Producing Quicksilver Mine
Trading Markets Maintained
Report on request
L. D. FRIEDMAN & CO. Inc.
52 Broadway, New York City 4, N. Y.
Telephone DIgby 4-0860

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Valuable Market Uses of Consumer Income Findings

By ARTHUR SMITH*
Director of Sales Research Service
Former Economist and Mathematical Statistician,
U. S. Bureau of Labor Statistics

Mr. Smith reports data are now available on consumer purchases for hundreds of products in 91 representative cities. States analysis of marketing factors affecting purchases of individual products permits construction of reliable sales estimates for each product in all U. S. cities. Concludes application of this information to sales quotas, advertising allocations, and media selection results in cutting waste, increasing sales, and raising profits.

For the first time, we now have available to us detailed sales data for individual products in individual cities and towns throughout the United States. This wealth of marketing information is a by-product of the $4 million survey recently completed under Congressional authority by the U. S. Bureau of Labor Statistics to modernize the Cost of Living Index.

Arthur Smith

The Bureau of Labor Statistics conducted this survey on as scientific a basis as is humanly possible. All cities of over one million population were included in the survey. A probability sample was then chosen of U. S. cities with populations down to 2,500 persons. Cities and towns in the survey ranged from New York down to Nanty-Glo, Pa.

*An address by Mr. Smith before the American Statistical Association, New York Area Chapter, New York City, March 24, 1955.

Cities were chosen on a probability basis with the aid of the Latin-Square method. City size, climate and income acted as criteria.

When I was at the Bureau of Labor Statistics, we had requests from 600 cities for expenditure weights for individual product groups with which these cities could construct Cost of Living indices. It was, therefore, imperative to plan the sample in a manned which would permit the construction of any U. S. city index as well as a properly weighted U. S. index. A well-organized probability sample had to be constructed to be able to use the data most efficiently for these purposes.

In each city, families were selected on a probability basis so that the families would be representative of the city. Sixteen thousand families in 91 cities were thus interviewed. All income groups and single-member families, as well as families of two or more persons, were in the sample. The supervisors of the interviewers were brought from all over the United States into Washington and were trained for approximately five weeks. Visual aids, editing manuals and collection manuals were used in their indoctrination. The questionnaires themselves had been pretested in 1948, 1949 and 1950.

Families Queried

The families interviewed were asked in detail about their expenditures for approximately 1,500 different products and services. Their total expenditures were then compared with their income and savings, and all data had to be within reasonable balance. If not, the interviewers went back to the families, and if the questionnaires were still not reasonably balanced, the questionnaires of those families were not used.

As a by-product of this intensive BLS survey, with the use of proper statistical methods, it is now possible to estimate with known degree of reliability the amount spent on individual products in individual cities throughout the United States.

The method employed is based on the assumption that there is a logical cause and effect relationship in the spending patterns of people in individual markets. In other words, if, for example, Albuquerque, New Mexico, is very high in its expenditures for cosmetics, and Boston is very low, there are causes for these differences. Once these causes, or "marketing factors," are known, and once quantity measures can be applied to each marketing factor in each city, it then becomes possible to arrive at a sales estimate in each area in which we are interested.

The analysis and the size of the market information for individual products is extremely important to manufacturers and advertisers in determining sales quotas, share of market, advertising budgets for each individual market, choice of media, cooperative advertising allowances, sales promotion allowances, and choice of test cities.

Let us take cosmetics as a small product group for which data are available, and let us go through an analysis and the practical applications to which this analysis can be put.

The data drawn from the Bureau of Labor Statistics survey showed unusual, sharp differences in cosmetic spending among the cities. For example, Albuquerque, New Mexico, reported their average family expenditures on cosmetics to be $17.32 per family; Boston reported $9.99 per family; St. Louis $10.95; Salt Lake City $17.51; Scranton $6.42. Why these differences? Is there any rational explanation?

To learn if such an explanation could be found, Sales Research Service conducted an intensive analysis of approximately 20 marketing characteristics in cities throughout the U. S. and the reported cosmetic expenditures in each of these cities. Some of the marketing characteristics considered pertinent to the investigation were:

(1) Income
(2) Non-White Population
(3) Women in the Labor Force
(4) Number of Female White-Collar Workers
(5) Number of Married Women
(6) Size of Family
(7) Education
(8) Size of City
(9) Sanitary Facilities (hot water, private bathrooms)
(10) Climate

A study of the marketing factors made several points clear:

(A) There is a rational explanation for the differences in cosmetic expenditures from city to city. This explanation is based on a combination of many of the marketing factors, operating simultaneously and, frequently, in different directions.

(B) These factors can be separated and measured for each city.

(C) By our ability to measure the effect of **each** factor, we are able to construct reliable estimates of cosmetic sales in **each market** in the United States.

(D) **General indices now resorted to by many cosmetic companies** show gross errors of **more than 50%** for the top cosmetic markets in the country.

Analysis

In our term "cosmetics," we include lipstick, rouge, face creams, make-up bases, face and body powders, perfumes, toilet water, hand creams and lotions, nail polish, deodorants, and hair preparations (excluding home permanents and shampoos).

Analysis of the marketing factors pertinent to cosmetic sales of course showed some factors to be far more important than others. Several of the major factors are discussed below.

Family Income

It is to be expected that the higher the average family income of a city, the more will be spent on cosmetics. But it is important to know the qualifications involved. Specifically, no matter how low the average family income of a city, there is apparently a minimum that must be spent on cosmetics, i. e., there is a minimum which is considered essential by the women in any economic-social strata in which they must compete for acceptance and approval.

However, once we pass above the essential level, at an average city income of approximately $2,400 per year, cosmetic expenditures rise sharply as we enter into a luxury market. This rise continues until an average city income of approximately $3,500 is reached, and then there is **a** levelling off . . . a continuing increase in cities of high incomes, but at a much slower rate.

Female White-Collar Workers

For cities with similar income, more money is spent on cosmetics in areas with a large number of females at white-collar jobs than in areas with fewer females white-collar workers. This, of course, is inspired by the female acknowledgement of the standards of appearance which must be met in such working situations.

Married Women

Several interesting sociological sidelights have come to our attention in the course of this survey. One, for example, is the surprising wide variation among U. S. cities in the percent of women married, such as 70% of the women over 14 years of age in Fort Worth, Texas are married compared to 56% in Boston. The ratio of married women to female population shows a high degree of correlation with the rate of cosmetic expenditures—purchases are far more substantial for cities having the greater number married women than in any others.

I shall leave open to speculation the questions: Are married women more liberal with their husbands' incomes, in terms of cosmetic budgets, than single girls, or have women in the cities showing greater married popula-

Continued on page 34

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Offering Circular.

NEW ISSUE April 12, 1955

$65,000,000
(maximum)

Chicago, Rock Island and Pacific Railroad Company

Forty Year 4½% Income Debentures

Dated March 1, 1955 Due March 1, 1995

THE ISSUANCE AND SALE OF THESE DEBENTURES HAVE BEEN AUTHORIZED BY THE INTERSTATE COMMERCE COMMISSION.

The Company has called for redemption on May 9, 1955 its outstanding Preferred Stock, Series A. The exact amount of Income Debentures to be issued will be the lesser of $65,000,000 or 105% of the par value of Preferred Stock not converted into Common Stock on or prior to April 29, 1955.

Price 100% and accrued interest

The Offering Circular may be obtained in any state in which this announcement is circulated from only such of the undersigned as are registered dealers in securities in that State.

The First Boston Corporation | Blyth & Co., Inc. | Glore, Forgan & Co. | Union Securities Corporation
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Open-End Investment Companies And the Equity Markets

By GEORGE K. WHITNEY*
Trustee, Massachusetts Investors Trust

Mr. Whitney contends that, despite their growth and importance in the nation's economy, the open-end investment companies have not, as yet, reached a size where their influence on the stock market can be considered comparable to that of other financial institutions or the general investing public. Cites large holdings of common stocks of fiduciaries, casualty insurance companies, and pension funds. Says it is evident that the open-end companies have played a very minor role in the more recent bull market, and are not likely to produce a bear market through redemptions and liquidations.

Open-end investment companies are relatively important holders of common stocks and are performing the highly desirable and constructive function of spreading the ownership of American industry throughout the country. They provide the average citizen a means of investing in equities and at the same time assure him adequate diversification of risk and continuing professional management of his funds.

George K. Whitney

Despite this constructive role they play in the economy of the nation, they have not as yet, in any event, reached a size where their influence on the action of the stock market can be considered comparable with that exercised by some other types of financial institutions, particularly trust institutions, or by the general investing public.

At the close of 1954, investments in common stocks amounted to almost $5 billion, or about 80%, of the total assets of the open-end companies. About $4.2 billion, or 85%, of the stocks owned by these investment companies are stocks listed on the New York Stock Exchange. This figure, incidentally, is only 2½% of the total value of stocks listed on this Exchange so it hardly can be said that the holdings of the open-end companies are large enough unduly to restrict the supply of equities, or narrow their market to any degree. For example, take one of the best known equities, the common stock of Union Carbide. According to the Company's Annual Report, investment companies own only 68/100ths of 1% of its outstanding shares.

Fiduciaries As Holders of Equities

Among the financial institutions, trust institutions acting in various kinds of fiduciary capacities hold, of course, the largest amount of common stocks. The authoritative magazine, "Trusts and Estates," recently stated that stock holdings topped $50 billion —10 times the amount owned by open-end investment companies. It is felt that this ownership of stocks by fiduciaries will continue to grow in importance, with 33 states now having the Prudent Man Rule. For example, in the case of Massachusetts Investors Trust, which itself invests solely in common stocks, fiduciaries own about 8% of its shares. (Non-financial corporations probably rank next in importance to trust institutions as holders of common stocks. Just to cite one example —duPont owns close to $2 billion of General Motors stock.)

*An address by Mr. Whitney before The New York University Graduate School of Business Administration Alumni Association, New York City, March 12, 1955.

Open-end investment companies probably come close in the amount of their holdings of common stocks to such financial institutions as fire, marine and casualty insurance companies as a group. Sufficient information is not available concerning pension and profit-sharing funds to make any positive statements as to the relative size of their holdings of equities, but the Bankers Trust Company recently estimated that perhaps as much as $350 to $400 million of common stocks a year are being purchased by such funds, and undoubtedly they are becoming increasingly important holders of equities. It is known that life insurance companies are as yet relatively unimportant owners of common stocks. But with assets of more than $84 billion, they have the potential of becoming a much larger factor in the equity markets. It was stated in a recent issue of "Fortune" that life insurance companies already own over 45% of all corporate debt and almost 23% of real estate mortgages outstanding.

Some important financial institutions, as well as life insurance companies, are by statute severely restricted in, if not prohibited from, holding equities. Most prominent among such institutions are the fast-growing savings and loan associations, which spend upwards of $20 million a year on advertising aggressively to advance their growth and which had total assets of $31 billion at the beginning of this year. At the recent convention of the U. S. Savings & Loan League, however, the members voted to seek permission for authority to invest in certain high-grade corporate stocks, which if granted might lead to their becoming among the larger institutional holders of common stocks.

Mutual Savings Banks

Mutual savings banks have assets of $26 billion but their common stock holdings are small. New York State, however, has by legislation allowed the establishment of a special open-end investment company to buy and hold common stocks with the shares of this company to be owned only by savings banks. Also, two New England states have passed laws permitting savings banks to own the publicly-offered shares of open-end investment companies. It may be a matter of interest to you to know that a savings bank not located either in New York or in New England is one of the 10 largest holders of the shares of M.I.T.

Labor unions could become large owners of equities through their reserve funds. They have, however, confined investments to fixed-income securities with a few notable exceptions. Again, it may be of interest that a labor union is among the 10 largest owners of the shares of M.I.T.

Transactions of Open-End Investment Companies

A significant question here may be, "How much do the buying and selling activities of open-end investment companies influence the level of and fluctuations in the prices of common stocks?" From available evidence, the answer to this question is, "Probably very little." In the past three years the New York Stock Exchange on four occasions has made two-day studies of actual transactions on the Exchange. The latest studies were made of transactions on Dec. 8 and Dec. 15, 1954. The first of these studies, which took place as of Dec. 10 and Dec. 17, 1952, showed that open-end investment companies accounted for only 3.9% of the total purchases and sales of shares on the Exchange. When similar studies were made in March, 1953, and 1954, they showed that the percentage of transactions accounted for by open-end investment companies had declined to 2.4% and 2.7%, respectively. The latest study made last December indicated a further decline to only 1.1%.

Further support of the opinion that the buying and selling of stocks by open-end investment companies has relatively little effect on market fluctuations is provided by the recent well-publicized survey of the N.A.I.C. which covered the bull market period of October, 1953, through December, 1954. During these 15 months, net additions to the portfolios of open-end investment companies of stocks listed on the New York Stock Exchange amounted to $346 million. This is equivalent to only 2/10ths of 1% of the value of stocks listed on the Exchange at the end of the period covered. Purchases and sales of stocks by these companies amounted to only 4.4% and 3.1%, respectively, of the total dollar volume of the transactions reported by the Exchange for these 15 months. The N.A.I.C. concluded that, "The influence, if any, of mutual funds on price levels has been minor." (The term, "mutual funds," is the popular name for open-end investment companies.)

If it is evident that the open-end companies played a very minor role in the more recent bull market action of stocks, are they likely to be responsible for some future panicky bear market? This question naturally arises because the shares of open-end companies are redeemable on demand at net asset value by the holders. The best answer to the question is that historically there have been no "runs" on the companies in the past.

As you may know, M.I.T., the first-established of the open-end companies, in 1924, has never in over 30 years had a year in which the purchases of its shares by investors have not exceeded redemptions. Statistics are not complete, but the same undoubtedly holds true for all open-end companies as a group, although, of course, not for every company. For example, the 1939 Report on Investment Companies of the S.E.C. to the Congress, covering the years 1927 to 1936, showed that sales exceeded redemptions by 4 to 1 and there never was a year in this early period in which redemptions exceeded sales.

Then came the well-remembered market break of 1937. At that time the S.E.C. was receiving reports each week from the open-end companies on purchases and sales of their shares. Since the results of these reports were never published even during the hearings which resulted in the Investment Company Act of 1940, it is reasonable to infer that there was nothing in them to arouse concern. In any event, it was the experience of M.I.T. during this break in the market that in every month purchases of its shares by investors exceeded redemptions.

Since 1940, the year in which the N.A.I.C. began collecting statistics for all open-end companies, there has never been a year in which repurchases have exceeded the sale of new shares.

Perhaps this particular matter may appear to be over-stressed, but permit me to mention two more recent experiences. Following the sharp break in June, 1950, in the first week of the Korean War, the N.A.I.C. made a survey covering 64 of the larger open-end investment companies. During that week sales of new shares exceeded redemptions, and portfolio purchases by the companies were double the sales of securities from their portfolios. In the month of June, 1950, M.I.T.'s sales of shares exceeded redemptions by more than $1.1 million. The second example is what happened during the market break at the termination of this war. N.A.I.C. statistics covering these 64 companies (representing more than 80% of the total assets of all open-end companies) showed that for the quarter ended Sept. 30, 1953, they bought $170 million of securities for their portfolios and sold $102.5 million. Purchases of their shares by investors in this period totaled $129 million, redemptions being but $40.5 million.

Types of Shareholders of Open-End Companies

A most important factor behind this redemption record, and one which ties in with the constructive role of the open-end companies in the economy of the nation, lies in the general type and character of the shareholders of these companies. Although 10% or more of the owners of shares are fiduciaries and institutions (14% in the case of M.I.T.), the average holding amounts to only a few thousand dollars, which is indicative of widespread ownership by individuals of moderate means.

The geographical location of these owners gives a further clue as to their nature. The 1951 Brookings Institution survey of stock ownership showed that less than 40% of the owners of open-end company shares resided in the North Atlantic Seaboard area (which includes New England, New York, New Jersey and Pennsylvania), and surveys made by the N.A.I.C. in the past several years show that 60% or more of the purchases of new shares of these companies originated outside this area. It is the North Atlantic area, however, that ordinarily accounts for ½ to ⅔ of the trading on the New York Stock Exchange and is generally conceded to be where the more experienced type of stock trader resides. The bulk of the owners of open-end company shares, judging from the above, commit their savings for long-term investment, rather than for short-swing in-and-out trading.

There are solid grounds for believing, therefore, that the open-end companies are performing the highly desirable and constructive function of spreading the ownership of American industry throughout the country. The successful carrying out of this important function should be considerably enhanced by the rapid growth of plans for the monthly or quarterly acquisition of shares of open-end investment companies, which also provide for the automatic re-investment of dividends and distributions. There are now around 216,000 of these accumulation plans in effect. About 67,500 plans were initiated by investors in 1954, and in January, 1955, alone, over 8,600 new plans were opened.

This process of constant channeling of the savings of the small investors of "Main Street" into the equity markets of Wall Street has, it is believed, a salutary effect on the vital problem of equity scarcity.

Scarcity of New Stock Issues

New issues of common stocks have been small indeed in the last several years—averaging only about $1¼ billion a year since 1951. Issuance of new shares of open-end investment companies is not included in figures for new stock issues by American corporations. The net new share issues of open-end companies are relatively large, however — having been equal to 36% of the total of the common stock issued by all other corporations in the years 1951-1954. Thus open-end companies are important in directing private capital into equity channels, for, as previously stated, they invest principally in common stocks.

Because of the properly conservative policies of most open-end investment companies, and also because of restrictions imposed by the securities authorities of some important states, these companies do not supply venture capital to the economy by directly financing new enterprises. To the extent, however, the net purchases of stocks of established enterprises by these companies improve the market for seasoned stocks, the market for the equities of lesser known or newly-established enterprises is indirectly benefited, and perhaps some funds are thereby also released to go into strictly new ventures.

Moreover, the open-end companies are able to furnish a significant amount of new equity capital from the funds received from the sale of their own shares, through the exercise of rights to purchase additional common stock or through the purchase of new publicly-offered stock issues of established American corporations. For example, in one recent year M.I.T. invested in this manner 17% of the additional funds received through the increase in the number of its shares outstanding. Very recently through the exercise of rights it acquired almost $900,000 of the new equity capital issue of General Motors—and M.I.T. is only one of some 120 open-end companies.

In summary I might say that while the record indicates that open-end investment companies have relatively little effect on stock market fluctuations and prices, they are contributing to the spread of equity ownership and they are playing an increasingly important role in helping to solve the problem of equity capital.

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KANSAS CITY, Mo.—William N. Seelinger has become connected with A. E. Weltner & Co., 21 West Tenth Street. He was formerly with Waddell & Reed, Inc.

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BOSTON, Mass.—Sebastiano H. DiMare and William W. Paxton are now with Coffin & Burr, Incorporated, 60 State Street, members of the Boston Stock Exchange. Both were previously with Vance, Sanders & Co.

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The Ford Business—Today and Tomorrow

By ERNEST R. BREECH*
Chairman of the Board, Ford Motor Company

Mr. Breech discloses his company will this year for the first time since its founding in 1903 publish its financial and operating facts. States company's current high-level production has been unable to satisfy pressing demand. Also discusses Ford's position on automation, employment, stabilization, dealer relations and new-car "bootlegging."

I know that what you would like to hear is a run-down of our profits, return on investment, and perhaps a financial forecast for 1955. Let me assure you that nothing would give all of us at Ford any more pleasure—or pride—than to have you see the financial progress the company has made since 1946 and what we are planning for the future. Circumstances make that impossible for me this evening, but I believe I can safely promise you this: some time this year, the financial and operating facts of the Ford Motor Company will be made public.

Ernest R. Breech

I can be frank, however, about some of the problems that at present concern the company—and the auto industry. All of these problems affect the company's financial results, and to that extent, I hope my remarks will partially compensate for failing to hand out copies of our latest annual report.

Much has been said, for example, about automation, a term that was coined at Ford Motor Company. We are proud of the progress that our manufacturing personnel, aided by the independent tool engineers of this country, have made toward adopting more modern machines and more modern methods of handling materials mechanically. But to listen to some people, one would think that the push-button factory had moved in and taken over the automobile industry. It hasn't.

It is one thing for manufacturing executives to take pride in the many technological advances they have been able to introduce into automotive production and to speak up publicly about their accomplishments. I would not detract from these accomplishments. But from a practical, hard-headed management viewpoint, these dramatic innovations must be assessed in terms of their relation to the over-all production processes. At Ford Motor Company, the push-button factory is still far in the future.

To be sure, more modern machines designed to do a specific job and more mechanical handling between processes have contributed greatly to increased production—and even more significantly to better quality. Today's much-improved cars would cost a great deal more if it were not for these technological advances. Our engines, for example, are much more powerful and more efficient than those of a few years ago and, like aircraft engines, demand a much greater degree of precision and quality control in their manufacture. In other words, automation in our foundries and engine plants enables us to turn out a far superior product at no increase in price to the consumer.

But the total automotive manufacturing processes are completely different from the processes involved in, say, refining oil or milling flour; as a result, we do not and will never have anything remotely comparable to the degree of automation found in those and many other industries. This kind of automation does not lend itself to most of our operations. Further, our product is subject to too frequent changes to justify extensive automation.

Less than 5% of our 136,000 hourly rated employees are currently working on automated jobs, and in our foundries and engine plants—where we have automated perhaps most spectacularly—our hourly rated employment at the end of last month totaled 24,995 persons as against an average of 23,166 in 1950; and those on automated operations have much easier work than before.

I mention these facts for two reasons—first, to indicate the long way we have to go before the push-button factory becomes a reality in the automobile industry; and second, to answer those critics who see in automation a threat to employment.

As a matter of fact, the total work force at Ford has increased almost 50% since we started the postwar modernization of our plants and equipment and stands now at approximately 181,000. Even more important, dollar payrolls have tripled in that same period. In 1954, our annual payments to hourly rated employees averaged nearly $5,000, and the average weekly wage for March of this year was $107.

Whatever else it is doing, automation isn't making life tough for the worker at Ford Motor Company.

Employment

Another subject that has been receiving considerable treatment in the press lately is the maintenance of high and steady levels of employment.

I am sure you would like to know how we at Ford feel about the so-called guaranteed annual wage, but since our company—and another manufacturer that builds a few cars and trucks—are just now entering upon negotiations with the UAW, I do not consider it appropriate to discuss our views in any detail.

I would like, however, to make a few general observations on this subject. We believe that the management of Ford Motor Company has proved that it is vitally interested in providing stable employment for both hourly and salaried employees. Lest you get the erroneous idea that we have not already done everything in our power to stabilize employment, let me say this: exclusive of production for defense, where we must depend upon production schedules furnished us by governmental agencies, our employees have enjoyed relatively stable employment year in and out. Hourly rated employees have averaged more than 40 hours a week each year during the past five years.

Even during our complete model change-over of Ford cars from 1954 to 1955 models, only 26,000 hourly workers, or 22% of the total, were laid off for as long as two weeks. Man-days lost for the entire change-over period totaled only 6%. Compare this with the change-over from Model T to Model A in 1927, when the whole operation was shut down for four and a half months, and it was a full 12 months after production had resumed before pre-change-over levels of production were reached. Of course, 1927 is ancient history. But as recently as 1948, in our first major change-over since the war, it was 12 weeks before volume production was attained.

Furthermore, during peak production periods, we try to meet schedules by providing overtime work for our regular employees rather than by taking on employees who might later have to be laid off. In February of this year, with most of our hourly employees working six days a week and nine-hours a day, overtime hours amounted to 19% of straight-time hours, but overtime pay was 29% of straight-time pay. In other words, it costs us a great deal of money to keep our employment schedules stable. There are many other policies devoted to this end, such as the millions of dollars in incentive bonuses for dealers and salesmen during traditionally-slack selling periods.

We believe this demonstrates clearly that we are doing everything in our power to maintain stable employment in an industry that has usually been subject to wide swings in consumer demand.

Demand and Production

There is another side of our business that is receiving a lot of publicity and attention these days. In August of 1953, you will recall, our industry was suddenly engulfed in a buyer's market. Dealers found that instead of taking orders, they had to go out and sell. In December of that year I was privileged to address the Investment Association of America, convened in Florida. Among other things, I said:

"Apparently both groups—the union and some dealer associations—are in favor of lessened competition through lower production. We even read that certain state dealer associations are being urged by vocal minorities to ask for laws which, in the end, would accomplish just this result. Perhaps some of them, too, will march on Washington and demand protection!"

Shortly after I said that, the executive Vice-President of the National Automobile Dealers Association wrote a letter to our Vice-President—sales and advertising which said in part:

"Mr. Breech knows full well, as do you and I, that dealers will never have to march on Washington. As a matter of fact, one of my most difficult jobs in recent months has been to persuade members of Congress and the Senate to hold back and not to push pell-mell into a legislative program on behalf of dealers."

Well, just who did march on Washington? Somebody must have, because in announcing the recent appointment of a subcommittee to investigate automobile marketing, the Chairman of the Senate Interstate and Foreign Commerce Committee said he was acting in response to demands of dealers from all sections of the country.

Only a couple of weeks ago I read in the newspapers that the NADA said it was taking the problem of bootlegging to Congress and that legislation would be asked to eliminate it. The NADA, according to the same source, is also seeking legislation requiring the dealer to pay a penalty if he sells a car outside his local trading area. Further, the NADA stated that it intended to sponsor or support efforts to eliminate by legislative action something they call "phantom freight."

Though he lurks in the shadows and seldom gets into the spotlight, the real villian, it is inferred, is overproduction. If only the manufacturers would stop building so many cars, the argument goes, all our troubles would vanish, and everybody—except perhaps the consumer—would grow rich on scarcity. Some union officials also have gotten into this act, with the suggestion that we schedule production evenly over a 12-month period, based on somebody's guess at the beginning of the model year as to what the annual sales volume is likely to be.

Well, are we currently over-producing? I can speak, of course, only for the Ford Motor Company. Our market has been exceptionally strong; in fact, we have had to revise production schedules upward every month since the 1955 models were introduced. So far, not one of these increases has enabled us to meet the volume of specific dealer orders we have been receiving.

Our production is high, but retail demand is even higher. In the face of this demand, we are naturally trying to have the cars to sell when the buyers want them. As one of our officials has said, "You have to have the peanuts at the ball game." You can't tell the customer to wait for peanuts when plenty of popcorn and hot dogs—or should I say competitive makes of cars—are on hand to compete for his dollars.

If demand is outrunning production, it must follow that we are actually underproducing, and the reports we receive every 10 days from dealers throughout the country confirm this. Retail sales for the first quarter of this year were 21% higher than for the same period last year, and would be much higher if we could produce more.

On March 31, 1954, the company's dealers had a 27 days' supply of new cars on hand. On the same day this year, at the current rate of sales, they had only a 10 days' supply, or less than half the units they had on hand a year previously. Considering the great variety of models, colors and equipment combinations, this is not even a fair sample for a dealer's floor stock.

Continued on page 35

*An address by Mr. Breech before the New York Financial Writers Association, New York City, April 11, 1955.

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April 13, 1955.

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Changing Bank Lending Pattern

By GEORGE S. MOORE*
Chairman, Credit Policy Commission, ABA
Executive Vice-President, First National City Bank of New York

Mr. Moore, after giving a picture of the business and credit outlook, discusses the changing pattern of commercial bank loans. Explains nature of "term" and "intermediate credit" loans, and concludes changes in commercial bank lending are sound and have strengthened the banking system.

First, a word about the business picture, which, as always, importantly influences credit conditions. Despite what some may read from the recent stock market movements, the fact is that business reports for the first quarter of 1955 are increasingly favorable. They show a pattern of rising production, stable inventories and sustained retail sales. Consumers are in a buying mood, according to available surveys. The construction, steel and automobile industries continue to step up operations. February reports showed gains in many other lines also. While employment has not kept a pace with production, the most recent reports are encouraging.

George S. Moore

Consumers feel better off financially and are more optimistic than a year ago, according to a survey made for the Federal Reserve Board. A larger percentage (9.6%) plan to buy or build houses than any recent year. The share that intend to buy a new car in 1955 is slightly lower than in 1953 or 1954 but used car purchases are expected to rise. Plans to buy furniture and appliances are greater than in 1954 but less than in 1953.

Construction has continued its dizzy pace in the opening months of 1955 with expenditures at an annual rate of over $40 billion compared with a record $37 billion in 1954. McGraw-Hill's survey last fall regarding the capital expenditure intentions of business in 1955 projected a 5% decline. In January they issued a statement saying upward adjustments had brought 1955 intentions about up to 1954. Now the SEC survey projects a $1 billion increase over 1954.

With steel activity at about 93% of capacity, mills are still reporting that orders are coming in faster than shipments are going out. Based on 1953 capacity, this tonnage would have meant 98% of capacity. The indication is that the steel demand will carry through for some time, although automobile model changes and inventory adjustments may cut a million tons a month from steel demand next summer. The pattern for 1955 indicates a possibly more than seasonal mid-summer decline in overall industrial activity. It is too early to gauge the last quarter but some upturn seems probable.

First of the year estimates that gross national product for 1955 as a whole would run at least 3% above 1954 and a little larger than in 1953, seem more dependable than they were at the time they were made, assuming the pending labor negotiations involving the annual wage demands, are resolved without prolonged industrial shutdowns.

The Credit Outlook

This favorable business situation is in good part responsible for the relatively greater demand for bank credit in 1955 to date. As you know from the figures released, bank loans showed a less than normal seasonal decline after the Christmas holidays and the upturn which commenced in early February has continued. Business loans in New York last week were up for the sixth consecutive week and business loans outside of New York City were, on March 9, within $78 Million of their record high set last Dec. 29. New York loans are, however, still about a billion below the previous peak which came in December, 1952. These rising loan figures reflect the end of nearly two years of liquidation of inventories on the part of the steel and metal fabricating industries plus the heavy requirements of the record-breaking construction activity which requires credit at all levels.

A continuing factor which has been mentioned often but which will be with us for five years, is the acceleration in tax payments provided in last year's Revenue Act which will require corporations to pay, on a progressive scale spread over five years, half of their Federal income taxes in the year in which they are earned. This will take nearly $8 billion out of corporate working capital over the five-year period. Some tax payers have already covered these needs. Others are making provision now to cover their full tax accrual, or a good part of it, with cash or government bonds.

It is my opinion that bank loans will continue to rise for some months ahead probably followed by some reaction in mid-summer before the seasonal rise which accompanies crop movements. The higher volume of automobile and appliance sales has, of course, increased the money needs of sales finance companies and reversed the downward trend of their bank borrowings.

Credit problems have been few. Those we have had have resulted largely from the intense competition in the market place, which is increasing in 1955. This is causing problems for marginal producers. The climate for a solution of these problems is generally favorable, but in some cases the weaknesses are organic.

The more favorable business conditions have caused some moderate firming in Treasury debt management and Federal Reserve monetary policy, which has been reflected in the moderate rise in the Treasury bill rate and commercial paper rates and other short-term money market areas such as bankers acceptances. There has been no material change in commercial bank lending rates. Both the banks and insurance companies are still aggressively seeking lending opportunities because of their needs for earning assets to meet their investment or operating requirements. I see nothing in the forward picture that leads me to expect any material change one way or the other in the general level of bank loan rates in the months ahead.

The Changing Loan Pattern

This brings me to the principal subject of my remarks today, namely, the ever-changing pattern of lending which is reflected in the loan portfolios of banks.

Of course, the situation varies from bank to bank and in various parts of the country, and my observations are naturally influenced by what has happened in the bank where I am employed. However, I believe our own experience is typical.

We hear often how rapidly industrial businesses change and how large a percentage of the current sales a great company such as du Pont is represented by products developed in recent years. Few seem to realize that banking is probably just as dynamic.

I recall that when I started in our bank about 25 years ago, an old-timer observed that both the type of our lending and the identity of our customers changed every 25 years. He had been with the bank nearly 50 years and had seen two such changes. Some investigations I have made recently confirm that this change has continued. I found, for example, that in a large black book which we circulate among our top officers every day, containing the names and balances of our principal accounts which are the backbone of our business, just about 40% of them were not important customers of the bank in 1940. I went back to 1940 and found that about the same percentage of the large depositors of that date were not important depositors today. I found that we had not lost any appreciable amount of the business. New and growing industries; airlines, natural gas pipelines, petrochemical companies, electronics manufacturers, had come and others, such as hardware jobbers, wholesale grocers, wool dealers or manufacturers, had declined in importance or had been merged or sold. The turnover continues.

In the lending area I found that not only the faces but the type of lending has also changed. In this case I went back 30 years and found that about 50% of our loans today are in a type of lending which our bank did not do in 1925.

Consumer Credit

One of these important areas of change is in the consumer credit field. As you gentlemen probably know, when our bank organized a Personal Credit Department back in 1928, were were pioneers. This Department also includes our loans on automobiles, modernization loans, appliance paper, floor plan financing for appliance dealers, time contracts purchased on a reserve basis from retail concerns, and more recently our small-term loans for capital purposes. It represents about 20% of our outstanding loans and a larger percentage of our interest income. There are continuous changes in this field as you men have been discussing. When we first purchased the instalment paper of a large mail order house in 1937, without recourse, but with a 10% reserve, we were plowing new ground. This pattern is now in widespread use by thousands of banks and most retail organizations which sell on credit.

Since our Personal Credit Department commenced operation in 1928 it has made over 7 million loans aggregating over $3 billion, with 670,000 loans totaling $282 million outstanding today. Our loss to liquidation has been less than ¼ of 1%.

Small Business Loans

The small business man's financial problems continue to evoke much public interest, and have led to a further constructive extension of bank lending. This is in the area between the so-called "term loan" I am going to discuss next, and the run of the mill "personal loans" handled by bank instalment credit departments. While many personal loans have been for business purposes, and we have earmarked these to keep track of their totals, we gained our first real experience, and I might add confidence, in this field with the GI Business Loans commencing in 1945. We have made 64,000 of these, for a total of $132 million, which is about 90% of all such loans made in our area, and over 20% of the total for the whole country. Our favorable experience on these, with claims on the government insurance of less than ¾ of 1%, led us into our uninsured Monthly Payment Business Loan program commenced in 1950. These loans are up to $10,000 and mature over a period up to 10 years. Since that date we have made 39,000 of these for a total of $73 million. Our over-all total of small business credits is 132,000 loans for $232 million.

These increased lending activities in the small business field have not only produced sound earning assets, but have created goodwill at all levels.

Term and Intermediate Credit

Another area of great change has been the growth of term or intermediate bank lending. Back in the 20's, we undoubtedly made short-term loans with the knowledge and intention that they would have to be renewed. Banks were large purchasers of corporate bonds. Our experience was not too satisfactory either with the short maturities or with the corporate bonds. On the short maturities, we often found we had not worked out a realistic plan for payment. Too often we relied on promise of refunding. We had little control over the purpose for which the bond money was used or the terms under which it was arranged. Market fluctuations were wide and our experience was so unsatisfactory that we seldom purchase corporate bonds today. In their place, like other money center banks, we have a large portfolio of what we call "term loans." Smaller banks have a lesser amount of this type of loan but I believe it is increasing. We are gaining experience and so far it has been good.

Each of these term credits is tailor-made to the individual lending job. In the case of an airline, for example, we make commitments at the time the airlines contract for their planes and we put up the money to pay for the planes as they are delivered. After the fleet is completed, the customary pattern calls for the outstanding balance to be refunded in a term loan maturing over a period of years which bears relation to the company's cash generation from depreciation charges. This same pattern has been used in financing railway equipment, buses, trucks, trailers, barges.

Another, but related type of term lending, is in the shipping field, where our loans are supported by charter hire contracts from responsible shippers of petroleum products which assure the regularly scheduled payments. This type of lending has extended to ships carrying other commodities, such as bauxite, iron ore, coal.

In the public utility field, term lending has grown at a substantial pace, in some cases to carry intermediate requirements during construction and pending refunding with long-term bonds. We sometimes call these "revolving credits" because they permit the borrower to borrow and repay and reborrow, as his needs develop, within the time limit involved.

The advent of what is called "accelerated depreciation" during World War II subsequently has resulted in a substantial increase in bank term lending where the facilities were covered by such special depreciation privileges. When the properties can be amortized over a five-year period, the cash generation provides for the liquidation of a bank loan arranged to pay the construction costs.

Another comparatively new facility provided by banks are so-called V-loans created during World War II which took care of swollen loan requirements when defense contractors needed large or marginal credits. As you know, in these cases the government agencies guaranteed a varying percentage of the credit and they were supported by assigned defense contracts which provided for their liquidation as the work was completed.

While many banks, particularly State banks, have done a large mortgage lending job for many years back, there are many national banks, such as ours, which are comparatively new in this field This includes so-called warehousing loans to mortgage dealers who carry blocks of FHA and sometimes conventional mortgages pending sale to insurance companies or savings banks who support the bank loan with purchase commitments.

There has been a great growth in construction loans on the part of banks throughout the country and excess requirements in this field have found their way into many money center banks such as our own.

In the petroleum industry a whole new field of bank lending has opened up: oil production loans, oil payment loans, loans on drilling rigs, loans to pipe lines supported by through-put agreements. I have seen loans to finance petrochemical plants supported by off-take agreements to purchase the products produced at prices which assure profitable operation and debt paying power.

Another interesting development is a loan secured by a coal pile, supported by a purchase contract from a public utility company agreeing to purchase the coal under a regular schedule which fits its fuel needs and which assures payment of the loan. This is similar to a loan to a gas storage company which stores natural gas during the off-peak periods in the summer and which is liquidated as gas goes into consumption during the peak winter heating season.

An area banks are currently exploring and which undoubtedly will show a great growth in the years ahead is the machine tool rental field. There are many approaches to the problem, but banks are finding ways to finance the sale of machine tools where the manufacturer gets paid out for his manufacturing cost and the user undertakes nothing more than a lease rental obligation, with a portion of the rentals paid in advance to provide some margin. These are self-liquidating where the machine tool equipment, as is usually the case, pays for itself through increased efficiency and labor-saving over the life of the lease contract.

There are new developments pending in the field of intermediate export credit. Our foreign industrial competitors such as West Germany, England, Japan have ready facilities which make it possible for sellers of capital goods to quote terms providing for payment over an extended period of years. The Export-Import Bank has been active in this field and banks are exploring ways to share in carrying this paper with varying degrees of Export-Import Bank protection and varying degrees of recourse on the seller. One alternative provides for the American bank to assume the credit risk with the Export-Import Bank taking the foreign exchange convertibility risks and the political risks, for an overriding commission. While there is some past experience in this field after World War I which suggests caution, I have no doubt but that banks, with the cooperation of the Export-Import Bank, and otherwise, are going to find ways to extend increased facilities in this field. Our exporters need them.

Flexibility has been an important factor in the extension of these lending facilities. Banks usually permit borrowers to repay these term loans without penalty when they are paid from internal cash generation or from refinancing in the open market either by

*Remarks by Mr. Moore at the National Instalment Credit Conference of the American Bankers Association, St. Louis, Mo., March 23, 1955.

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debt or equity financing. These term loan portfolios are more liquid than one would imagine. If the bank has been in the business over a period of years, the turnover is rapid and constant, and the average life comparatively short, despite the occasional loan which may run up to ten years. In our case, less than 30% of the total portfolio runs beyond two and a half years and less than 10% beyond five years. In fact about 15% is running off in 1955.

Conclusion

These newer groups of term lending areas I have been discussing add up to about 30% of our loan portfolio. Together with the 20% consumer credit figure, they constitute about half of our total loans. They have offset substantial declines in security loans and in our corporate bond portfolio, as I mentioned before.

I believe these changes are sound and have strengthened the banking system. Banks today are serving their customers more constructively than ever before. Most of these newer type loans are self-liquidating. In the case of industrial term loans the greatest hidden danger, the factor most difficult to ferret out, is the obsolescence risk, the borrower whose costs are non-competitive or who is losing his markets to competitive products or for other reasons.

I am sure you will find that similar changes have taken place in the loan portfolios of your own bank. I am also sure that the 12 months ahead will see new credit facilities developed and that these changes will continue.

Only a few days ago we were asked to make a "uranium payment" loan, on the same pattern as an oil payment loan. Our atomic energy consultants are studying this. I would not like to take an equipment trust obligation secured by the first rocket that tries to go to the moon, but some things we are doing, today probably would have looked crazier 100 years ago.

We are plowing new ground and a certain amount of courage is involved. On the other hand, I am not sure but that the risks would be at least as great if we persisted today in doing the type of lending we did 30 years ago, without change and to the same borrowers who were our customers at that time. The old street railways and wagon manufacturers would be having a tough time if they were still in business.

While this is some consolation to me, I think a note of caution is in order. These changes should be gradual. We should test each new area of lending carefully. We should keep our participation in each of these lending fields in line with our own resources and money position. We should keep our participation in any given loan down to reasonable limits. Many require professionals such as geologists and engineers to assist in analysis of risks and opportunities involved. In these specialized areas we are finding increased opportunities to work with, and assist, our correspondent banking friends.

It has been a long time since we have had a major business correction. Bank contingency reserves are growing. There is much evidence to support the theory that the swing of business cycles ahead may be less extreme than in the past. On the other hand, we must face the plain fact that we are doing much of this pioneering in an area of great prosperity.

These constructive areas of lending by the private banking system have made an important contribution to the business economy. If we bankers continue to meet the banking needs of the country with imagination and good sense, we will unquestionably make an even greater contribution in the years of population and national growth which seem to lie ahead.

Home Financing—Public Or Private Enterprise

By J. HOWARD EDGERTON*

President, U. S. Savings and Loan League

In discussing the mortgaging lending side of savings institutions and its future, Mr. Edgerton calls attention to the economic progress of the nation over the last quarter-century and the increased purchasing power of the working population. Points out there are pressures both for and against mortgage credit restrictions, and problem for savings bankers is how far to go in fixing loan-margins and maximum maturities. Opposes increasing role of Federal Government in housing, and holds, to keep FHA loans sound, institutional lenders should participate in the risks. Attacks 30-year FHA loans, and urges mortgage bankers adopt an all-around home financing service by making construction loans.

J. Howard Edgerton

My assignment is generally one to talk about the mortgage lending side of the savings and loan business, its challenges, and its future. It is a rather difficult subject because clearly we are in a period of transition relative to the nation's mortgage loan policy and the role of our institutions in home financing.

When we look at the economic progress of our nation over the last 25 years, it is inspiring to note that we have had a greater advance in material welfare than the history of the world has ever witnessed. The purchasing power of our average citizen has been raised 50% while his working hours have been decreased 15%. The last quarter century has seen our output per man-hour increased at an average of 2% per year and by this increase of the laborer's production we have offset the costs of higher wages, shorter hours, fringe benefits, and pension funds.

Industrially we are going through a transition from the steam and gasoline age to the nuclear and electronics age. At the Ford factory today the entire motor production is machined by automatic equipment which electronically measures its works and rejects the imperfect. Even the complex cylinder head, including springs and valves, is assembled automatically. We will soon have electronic machines in our accounting departments faster than anything we have ever dreamed of, and a typewriter has been developed that you can dictate to—how dull can business get!

Conservative estimates indicate a national population of 220 million by 1975, and those of you who are contempories may remember that when we were in college an ultimate all-time maximum population for the United States of 165 million was acceptable as a forecast. Our population will pass 165 million next year.

My only reason for mentioning these changes is to emphasize the fact that time does march on, and those of us in the business of finance must be just as alert to the necessity and inevitability of progress as the industrial scientist. Savings association executives have a grave responsibility to their respective communities, and as the leading home financing institutions of our nation we must constantly reappraise our lending practices in the light of our existing economy and the needs of our communities in order that every American family entitled to the privilege of owning their own home may be granted the credit to reach that objective.

Pressures For and Against Credit Restrictions

Pressures from the left constantly encourage us to grant more liberal credit each year than in the previous one and to utilize every direct and indirect Federal subsidiary necessary to accomplish this objective. The evils of this course is more inflation, possibly overbuilt communities, and possible socialization of the entire mortgage financing structure of our nation.

Pressures from the right encourage us to restrict credit to the fortunate minority who have substantial incomes and accumulated savings with which to make large downpayments. Carrying this program to excess will result in many deserving families not having the privilege of becoming responsible, home-owning, taxpaying citizens and will probably move us one step nearer the tragic process of direct lending by the Federal Government.

I think the problem must be approached on the basis of what the public needs. The reason we are doing so well on the savings side of our business is because we have the best product—a product incidentally that is a far different vehicle of savings than the one we were offering the public at the time Henry Ford put out his first Model T. If we do as good on the mortgage lending side of the business, then we have no reason to view the future with alarm.

To begin with, I think we owe all of our communities a complete mortgage lending service. If a young veteran comes in our door and asks for a low interest rate, long-term loan, guaranteed under the VA program, I think it should be available to him. This program is the gesture of a grateful government to the men and women who have served in the armed forces of our country and should not be measured by the same credit, economic, or political standards that we apply to other types of financing.

When a non-veteran comes in our office, I think we should have available to him a loan tailored to his requirements, whether it be to refinance his existing home, to purchase an older house, to build a new home, or if he is an operative builder to finance his tract operations, and I will go one step further and say that we ought to have unsecured property improvement loans available for those interested in modernization and repair and who do not already have a loan on our books with the advantages of an open-end mortgage available to them.

Bankers' Problems

Our great problem is, of course, how far we can safely go on percentage of loan to appraisal and in the maximum maturity of our loan. Either we face the realistic alternative of providing adequate credit for the deserving members of our communities or relinquishing the job to one of our Federal agencies who will directly or indirectly subsidize the operation. I think our course is clearly charted in this respect, and if we are to preserve our private enterprise system of home financing, we must increase the size of our loans and their maturity where the credit analysis justifies it to properly selected borrowers and secured by well-located and well-designed homes to a probable maximum of 80% of appraisal and 25-year maturity. If we do this, there will not be too many deserving citizens in our communities who will be unable to acquire a home financing credit.

The next logical question, of course, is what is the role of FHA. I have no hesitation in stating that the FHA has been and can be an instrument of great benefit to the American public. It gave the construction business a sorely needed shot in the arm in the late 30's. It has standardized and improved construction standards in a great many areas that otherwise would not have made such improvements, and it has provided a source of home financing funds in a great many areas that would not have otherwise been adequately served.

Large institutional lenders are unable for many practical reasons to buy conventional loans here, there, and everywhere throughout the nation but have been able to buy FHA loans, thereby providing funds in innumerable localities that did not have sufficient local money to answer the housing problem; and in those situations where you cannot for any legitimate reason provide a conventional loan to a deserving member of your community and an FHA loan will answer his housing problem, then I think you ought to consider making the FHA loan rather than send the borrower or builder to one of your banking or insurance company competitors.

Basically, our industry always has been and still is opposed to increasing the role of Federal Government in housing. We have conceded the merits and the necessity of the veterans program but we have urged that Congress hold the FHA program some-

Continued on page 32

*An address by Mr. Edgerton before the Southeastern Group Conference of the U. S. Savings and Loan League, Boca Raton, Fla., March 4, 1955.

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Amending the Constitution

By HENRY W. NICHOLS*
Vice-President and General Counsel
National Surety Corporation

Mr. Nichols reviews the origin and history of the methods provided for in the Constitution for its amendment. Discusses four proposals in an amendment submitted to Congress by Sen. Butler of Maryland regarding the Supreme Court, and comments upon the complexities in Article V of the Constitution, which outlines methods that may be used in making constitutional amendments. Recommends the power to amend should be reviewed "while we have a political atmosphere conducive to debate."

Our inspired forefathers fought not to establish our independence alone. It was they who subsequently suffered much travail to create our Constitution. They won the war and they most decidedly won the peace. Then they put together age-old principles to form a constitutional government for free men such as the world had never known. The Constitution is their greatest gift to us. It is our greatest heritage. Upon us is the responsibility to pass on, unspoiled, the rights and liberties guaranteed under this Constitution. To do so we must understand it.

There were 17 States in 1790 when the first census showed a total population of 3,929,214. These people knew the cost of freedom. They had anxiously watched over the birth of the Constitution. Now we are a nation of 165 million with all the foreign entanglements about which George Washington so earnestly warned us. We have come to wear our freedom lightly. What has been called constitutional illiteracy is abroad in our land. This is important today because of peculiar world conditions. Those of us who have lived through two world wars know that radical movements can destroy governments. World changes spawn many movements which do not take lasting hold, but ignorance of our constitutional heritage can permit the rooting of some terribly dangerous ideas. It is cause for anxiety to see some politicians and public officials unwittingly lean toward dangerous trends in their search for panaceas. Not all constitutional proposals get the political spotlight as did the Bricker Amendment. It would be a good thing if more of them did excite general interest.

By way of introduction only, let me call your attention to the growing attitude concerning part of the Bill of Rights contained in the Fifth Amendment to the Constitution. The part referred to provides that no person shall be compelled to testify against himself in any criminal case. The struggle for this right of the individual can be traced back to the 12th Century. Today, many good people are stirred by understandable fear that this privilege is being used by Communists to cloak their activities. In righteous anger they forget rich traditions and press for quick and easy solutions. No patriotic American has any truck with Communists. Neither does any patriot wish to see overthrown one of the great landmarks in man's struggle for sanctity of the individual. If this constitutional right were abolished we could make it more difficult for a few Communists but we surely would knock over one of the great mileposts along the road to civilized government. No matter where we begin the consideration of human problems the solution will always be found in the dignity and freedom of the individual.

Now think for just a few moments upon a more concrete and constructive proposal concerning the Constitution. During the 83rd Congress recently ended, there was introduced by Senator John Marshall Butler of Maryland a proposed Amendment to the Constitution which would affect the United States Supreme Court in four particulars. First, the number of Justices would be fixed at nine; second, it would make their retirement compulsory at age 75; third, it would render the Justices ineligible to become President or Vice-President within five years after leaving the Bench; and fourth, in cases arising under the Constitution it would remove from Congress the latter's present power to impair the appellate jurisdiction of the Supreme Court. I shall discuss these four proposals briefly and pass on to our major topic, which is amending the Constitution generally.

Does it surprise you to learn that there is nothing sacred about the present number of Justices who constitute our Supreme Court? It does most people! The Constitution does not fix the number; Congress does it. Presently, there is a Chief Justice and eight Associate Justices. In the past Congress has changed the number of Associate Justices several times. There were but five provided for in the original Judiciary Act of 1789. The number was increased to six in 1807; to eight in 1837; and to nine in 1863. An Act of 1866 to again reduce the Associate Justices to six was introduced to prevent President Andrew Johnson from making new appointments. Another Act was passed in 1869, which reconstituted the Court with a Chief Justice and eight Associates. It has remained so to date. The move by Congress in 1866 to reduce the Justices was purely playing politics with the Supreme Court. It was similar to the attempt to pack the Court in 1937. It is to prevent such political manipulation of our Judicial Branch that the Butler proposal is made to fixe the number of Justices by Constitutional Amendment, thus taking it out of the hands of Congress.

As to a retirement age for Supreme Court Justices, this would seem to be desirable. Many businessmen are compelled to retire at 65. Chief Justice Vanderbilt of New Jersey thinks all judges should retire at 70. We have had some fine Supreme Court Justices continue after the age of 75 but some have remained on the Bench when their capacities were failing.

This brings us to the third part of the proposed Amendment. Some Justices have been thought to have had political ambitions which, consciously or unconsciously, affected their public utterances, if not their opinions. You may be among those who have suspected some Justices of playing politics from their position on the Court and with their decisions. There are those who believe that Justice Charles Evans Hughes was right in 1912 when he refused to run for the Presidency and wrong in 1916 when he succumbed to political pressure. In later years Chief Justice Hughes expressed regret that he had not been precluded by law from leaving the Court to run for the Presidency. This provision that would keep Justices out of the Presidency for five years has its merits but has been strongly contested.

The fourth of the proposals is the most important. When we think of checks and balances between our executive, legislative and judicial branches, it is not generally understood that the jurisdiction of the Supreme Court also depends upon Congress. The Judiciary Act passed in the first session of Congress fixed the Court's original jurisdiction. Amendments have since been made. Congress sets forth in what cases the Supreme Court can entertain an appeal. In the midst of political passions following the Civil War, Congress, by legislation, arrogantly took the McCardle Case involving the sacred right of *habeas corpus* away from the Supreme Court after it had been argued there and before a decision could be handed down. This has been called the Achilles heel of our government. The change proposed in this part of the Amendment would preserve the checks and balances so ingeniously set up by the Founders. There can be little doubt about need for protecting the appellate jurisdiction of the Supreme Court in constitutional cases against impairment by action of the legislative branch. Whether you think it probable, it certainly is possible for a radical Congress to destroy the effectiveness of the Supreme Court.

These four proposals contained in the so-called Butler Amendment were unanimously passed by the Senate Judiciary Committee and were readily passed in the Senate as a whole in the 83rd Congress. It came to an end before action was taken by the House. It is strange how few people in the Country knew that such an important proposed Constitutional Amendment had advanced so far. This same proposition is now before the 84th Congress and in the Senate is known as Senate Joint Resolution 45. You may see its progress noted in the newspapers but it is too bad that all too little is printed about such important developments.

Now I come to the subject of amending the United States Constitution generally.

Amendments—Procedure Long Discussed

For those imbued with the lore of Constitutional history, there is no more interesting topic than that dealing with the amending process. Discussions on procedures for amending the Constitution began in 1787 in the Constitutional Convention. Article V, which contains the amending procedure, was debated by the Delegates on several separate days and went through many changes before it was adopted. Even then the completed Article was a compromise that has left some questions unanswered to the present day. The original speeches upon Article V by such great men as James Madison, Patrick Henry, Gouverneur Morris and others are as significant today as they were when those voices sounded in Constitutional Hall. Indeed some of the arguments there made may become even more significant in our 84th Congress.

The Founders recognized from the beginning the need for leaving with the States and the people to be governed the right to amend their constitution. It was carefully pointed out in the Convention of 1787 that the Constitution of any government, the defects of which cannot readily be amended, results in oppression of the people and ultimately strife or civil war. James Madison noted that the Dutch, who had created a constitution that lacked the express power of amendment, had made several attempts to amend their system without success and that the few alterations made in it were accomplished only after dangerous civil commotion.

Nevertheless, fear existed concerning amendments. It was not desirable that changes be so easy as to lend success to emotional or superficial movements. Amendments coming too easily would destroy the stability of the Constitution. The document as drawn was recognized as creating a government that was new in the world. There had been strong opposition. This young nation must be given a chance before the opposition could tear down the new structure of government.

In the conventions of the original States where the Constitution came in for sharp scrutiny, Article V was found comforting and had its influence in bringing about ratification of the Document as a whole. The States felt that if the President or Congress grew too powerful they could call another Convention to restrain them.

When submitted to the original States, it was said in the North Carolina convention by James Iredell, who became one of the first Justices of the United States Supreme Court, that "if it be adopted, the Constitution can be altered with as much regularity and as little confusion as any act of assembly; not indeed quite so easily, which would be extremely impolitic, but it is a most happy circumstance that there is a remedy in the system itself for its own fallibility, so that alterations can, without difficulty, be made agreeable to the general sense of the people."

Recently, it has been felt that the Constitution cannot be amended quite so readily as Mr. Iredell thought. The fear has been growing that the States are losing to the Federal Government rights intended to be retained. A growing number of petitions to Congress from the several States requesting the call for a Federal Convention to propose amendments has brought no results. Most recent applications for a convention have sought to amend the Constitution by limiting the power of the Federal Government over taxation. Many fear the trend of Federal taxes in recent years. In addition to numerous petitions from the States for a Constitutional Convention on taxes there was proposed in the 83rd Congress the Reed-Dirksen amendment to specifically limit the power of Congress to tax incomes, inheritances and gifts. This proposal made in Congress got no farther than the State petitions for a convention.

It is the fear of this growing Federal power that has resulted in a proposed Constitutional Amendment which would change the present procedure for amending the Constitution so that the States would not be so dependent upon Congress.

Article V

The present Article V of the Constitution provides two methods for proposing amendments. One of the two methods is completely under the control of Congress itself. Many believe that for all practical purposes Congress controls both methods of proposing amendments. This Article also provides two methods for ratifying amendments and both methods of ratification are controlled by Congress.

By the first method for proposing an amendment a resolution must originate in Congress. It must pass both Houses by a two-thirds majority of each. Then to become effective the Congressional resolution must be ratified by three-fourths of the States by vote of the Legislatures or by State conventions as may be decided by Congress. The method that has always been used to amend the Constitution is the one where the resolution originates in Congress.

Under the second procedure the amendatory measure would originate with the States. When the legislatures of two-thirds of the States have petitioned Congress to call a convention for the purpose of proposing Constitutional Amendments, it is, in theory at least, mandatory upon Congress to call such an assembly. But here is our point. Never in our history have the States succeeded in having Congress call a Constitutional Convention. There are some who think that Congress cannot be forced to use the convention method even though called upon by two-thirds of the States to do so. If this is so then one intent of the Founders has been frustrated.

Questions Concerning Constitutional Conventions

Let us consider the convention method: Neither by the Constitution nor by statute is it defined when and how future conventions to amend the Constitution should be called. James Madison posed questions regarding this method of amending the Constitution as follows: "How is a convention to be formed? By what rule decide? What the force of acts?" His practical questions were left unanswered by the Federal Convention and today are no nearer to solution than in 1787. Therefore, it is difficult to say just how and when Congress must call such a convention and when it can justly be criticized for not doing so.

It requires action by the Legislatures of two-thirds of the States to start the convention process by petitioning Congress. Now assume that some two-thirds of the States have taken some action. Who shall decide that the steps taken are sufficient in number, form, subject matter and time? Are the actions of some of the States, taken years before the required number have acted, still timely and in effect or have some of them been rescinded? Is it legally possible for subsequent legislatures to rescind such action? Must the Governors of the States approve or veto or do the legislatures act alone? Are one or all amendments to be considered? Many questions can arise to make it difficult even for Congress, acting in the utmost of good faith, to decide that the time has arrived when it must call a constitutional convention.

To be obligatory upon Congress, the application of the States should be reasonably contemporaneous. Only by acting together are they persuasive of a real consensus of opinion throughout the nation. By the same token, they ought to express similar views respecting constitutional proposals.

Let us assume that Congress is convinced that a sufficient number of States have exercised their prerogative properly and within a reasonable time. It is now mandatory upon Congress to call a convention. Such a convention never has been called and there are no laws, rules or precedents for guidance. How shall it be done and shall it be controlled by Congress or the States? Questions on procedures concerning Constitutional Amendments are political questions to be settled by Congress. To whom do we appeal if there is a close question between Congress and the States as to whether or not a convention is in order? Our courts have no jurisdiction!

The power to prescribe the manner of meeting and deliberating seems to rest in Congress. Most authorities believe that Congress must say when and where the convention shall meet; fix the number of delegates to attend, and

*An address by Mr. Nichols before the Sons of the American Revolution, Westfield, N. J., March 29, 1955.

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the methods by which delegates shall be selected. Also there must be temporary rules for the organization of the convention. The general expense of the convention must be provided and it must be decided how the delegates shall be compensated. If, as and when all these and more things have been settled, such proposals as might result from the deliberations of the convention have yet to be ratified by three-fourths of the States in a manner dictated by Congress.

Were the States to apply for a convention for general purposes it would seem that the convention would be free to draft an entirely new constitution. But even though applications are for a limited purpose, it is believed by some that such an instrumentality once set up under the Federal Constitution cannot be limited. This whole convention procedure is complicated and difficult. Are there dangers in it so grave that conventions should be avoided? Does it give to Congress excuses that are dangerous to States rights?

Now note this: It has never been settled what government department shall call such a convention. No procedure has ever been established for recording the requests made to Congress by the States. Therefore, it is both difficult and uncertain to locate in Washington the text of State petitions. Some such applications may repose in the Committee on the Judiciary of the House; the Committee on Ways and Means of the House; the Senate Committee on Finance or the Committee on the Judiciary of the Senate. Perhaps in other places. The search for petitions is but the first of the hurdles barring an accurate determination of the number of States whose legislatures have voiced a desire for such a convention.

Many applications have been made to Congress for a constitutional convention. None has ever been held. This might seem to indicate that difficulties with the convention method are much greater than the Founding Fathers ever contemplated. So great in fact that the States have lost to Congress all power of initiating amendments to the Constitution.

On the other hand there are those who feel that it is not impossible for the States to act promptly and in concert. That such public pressure can be brought upon Congress that it in turn will have to call a convention and promptly set up such rules and appropriations for its formation as may be necessary. After careful study it is my opinion that two-thirds of the States have never yet acted with sufficient concert and within a reasonable time to compel Congress to call the convention provided for in Article V. It is true the convention method of amendment has never been used but I personally do not believe that it can be said the method has failed after a fair test. Do you believe that under the present Article V the States will ever be able to function in a way to satisfy Congress that it is obliged to call a constitutional convention? If the Sons of the American Revolution will think that question through—they have an opportunity to help form sound public opinion.

Since the beginning of our constitutional government in 1789 almost every Article, Section and Clause of the Constitution, at one time or other, has been the subject of proposed amendments. Over 4,500 proposals for amending the Constitution have been made. Out of all of these only 22 amendments have been ratified by the requisite three-quarters of the States. At least one amendment was such a failure that it had to be repealed.

In 1909 the 61st Congress submitted to the legislatures of the 48 States what became the XVI Amendment. This gave to Congress the unlimited power to tax incomes. By 1913 three-fourths of the States had ratified it. Now we wonder if this was the second mistake in constitutional amendments. Some thoughtful students of economics and government believe that the time has come when a change in the Constitution is again necessary to restrict Congressional taxing authority. If that time is at hand then can we expect that Congress itself will ever initiate an amendment to reduce its taxing power? Do you believe that Congressional power to tax incomes, inheritances and gifts should be restricted? If so, then do you think it can be accomplished under a specific constitutional amendment emanating from Congress such as the so-called Reed-Dirksen Amendment? Or must there first be an amendment to Article V to permit the States to act independently of Congress? These questions require thought and sound answers.

Perhaps you will conclude that to initiate cures for its own evils is too much to expect of Congress. If so, then is it feasible for two-thirds of the States to act with sufficient coherence and within a reasonable time, to force Congress to call a convention? If the States cannot do this then the convention method has become just too difficult for practical application. In such case shall we forget the plan of the Founders as an outmoded idea; or shall we do something to preserve it? Whether or not power to amend has shifted from the States to Congress, we can all agree that the power to amend should never be too difficult for the people by whom and for whom the Constitution was created.

The Amendment Proposed

The proposed cure is contained in House Joint Resolution 201 relating to procedures for amending the Constitution itself and would be in lieu of the present Article V.

Should this proposal become part of the Constitution, then that basic law in the future may be amended upon ratification of three-fourths of the various States in three ways instead of two. (1) A proposal submitted to the States by two-thirds of each House of Congress as now; or (2) a proposal submitted to Congress by two-thirds of the States for a constitutional convention which it seems Congress should call as now; or (3) a proposal by the legislature of any State, whenever two-thirds of each House thereof shall deem it necessary to amend the Constitution. Any State could transmit to the Secretary of State of the United States and to the Secretary of State of each of the several States a certified copy of the resolution proposing the amendment. The amendment shall be deemed submitted to the several States for ratification when certified copies of concurring resolutions of the legislatures of any 12 of the several States (by two-thirds of each House) shall have been so transmitted. This third method is new and questions under it could be reviewed by our courts. Under this proposal future Amendments could come: Wholly on the part of Congress; on the part of the States and the Congress; or **entirely on the part of the States,** thus avoiding Congressional difficulties.

Is the Amendment Necessary?

This nation has survived and prospered. Perhaps it is well that more amendments to the Constitution have not been made. We ask: Is the proposed amendment necessary?

All through the Constitutional Convention we see the determination to protect the States and their people from an all powerful Federal Government. During the debates there was introduced what has been called the Virginia plan. On May 29, 1787 Mr. Randolph introduced a resolution providing that the assent of the National Legislature ought not to be required when amending the Articles of Union. He contended that amendments would be necessary and that it would be better to provide easy and constitutional methods for the people to make them. He argued it was improper to require the consent of Congress for it might abuse its power and for that very reason refuse its consent. He stated that if the government should become oppressive, Congress would never propose amendments of the right kind.

To call a convention Congress must act by resolution which must pass in both Houses—or it fails. Such a failure could be by design. Or it could result from partisanship, disunity, lack of understanding, executive dominance, continual deferment, or confusion. Whatever the cause the consequence of any such failure is the same—the desire of the States for a convention is blocked. It seems fantastic to think that the States and their people could ever stand so helpless before Congress. But strange things have happened in the legislatures of the world.

For more than 20 years the powers of the States have been squeezed by all three branches of our Federal Government. Changes have occurred which have perverted the careful design of the Founders. As was said by the Supreme Court in 1936, if unchecked this could go on and on until the States become only geographical subdivisions of an all powerful national government. If the character of our government is in fact changing, then there is reason for serious action.

Perhaps we criticize Congress too much and are too easy on the States for not enforcing their rights. Has Congress ever actually refused a demand to call a constitutional convention? If 32 States ever make a clear and timely call upon Congress for such a convention, will Congress dare to dodge the issue or even delay it unduly? What do you think? These are things for our people to ponder and act upon.

Conclusion

The weakness in the convention procedure is the lack of adequate recording machinery plus the fact that apparently no power is available to the States, unless it be that of public opinion, by which they can compel Congress to carry out its duty to call the convention provided by Article V.

Woodrow Wilson said that "no impulse short of the impulse of self-preservation, no force less than the force of revolution, can nowadays be expected to move the cumbrous machinery of Article V." If you believe as did Woodrow Wilson then the power to amend should be reviewed while we have a political atmosphere conducive to sound debate.

Sidney B. Hook Joins Stone & Youngberg

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Sidney B. Hook has become associated with Stone & Youngberg of San Francisco. Mr. Hook, who has been in the investment business for many years, was formerly in the Municipal Bond Department of Gross, Rogers, Barbour, Smith & Co., and was Manager of the Bond Department of the local office of J. A. Hogle & Co. In the past he was an officer of First California Company and conducted his own investment business in Los Angeles.

Jonathan Peeler V.-P. Of J. Lee Peeler Co.

DURHAM, N. C. — Jonathan L. Peeler has been elected a Vice-President of J. Lee Peeler & Company, Trust Building.

Blaise D'Antoni Adds

(Special to The Financial Chronicle)

NEW ORLEANS, La.—John W. Ormond has been added to the staff of Blaise D'Antoni, Carondelet Building, members of the New Orleans Stock Exchange.

William Hunter With Cruttenden & Co.

William S. Hunter

CHICAGO, Ill.—Cruttenden & Co., 209 South La Salle Street, members of the New York Stock Exchange and other leading exchanges, announce that William S. Hunter is now associated with their firm in the trading department.

Mr. Hunter was formerly with Straus, Blosser & McDowell and prior thereto with Lee Higginson Corporation.

Godfrey Bligh to Address Kiwanis Club

Godfrey Bligh, President of R. M. Smythe & Co., Inc., will address a meeting of the Kiwanis Club to be held May 12 at the Meurot Club, St. George, Staten Island. Mr. Bligh will discuss obsolete securities.

Joins B. C. Christopher

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Allen L. Newton is now with B. C. Christopher & Co., Board of Trade Building, members of the New York and Midwest Stock Exchanges. He was previously with Waddell & Reed, Inc.

Joins King Merritt

(Special to The Financial Chronicle)

WILSON, N. C.—Mary E. Forbes has joined the staff of King Merritt & Co., Inc.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

243,060 Shares

Continental Telephone Company

Common Stock

(Par Value $1 Per Share)

Transferable Subscription Warrants evidencing rights to subscribe for these shares, at the rate of one share for each four shares held, have been issued by the Company to holders of its outstanding Common Stock. The Warrants expire at 2:30 P.M., Central Standard Time, on April 20, 1955. During and after the subscription period, shares of Common Stock may be offered by the underwriters, as is more fully set forth in the Prospectus.

Subscription Price to Warrant Holders
$19 Per Share

Copies of the Prospectus may be obtained in any State in which this announcement is circulated from only such of the underwriters, including the undersigned, as may legally offer these securities in compliance with the securities laws of such State.

White, Weld & Co. The First Boston Corporation W. C. Pitfield & Co., Inc.
Blyth & Co., Inc. F. Eberstadt & Co. Glore, Forgan & Co.
Goldman, Sachs & Co. Kidder, Peabody & Co. Ladenburg, Thalmann & Co.
Carl M. Loeb, Rhoades & Co. Wertheim & Co.

April 11, 1955

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THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market had another "confirmation" of the bull trend this week when the industrial average, after more than a month's work, joined the rails in posting new highs above those of March 4. For the industrial component, it was another all-time peak while the rail index is at its highest reading in a quarter of a century.

* * *

Penetration of the old highs was achieved somewhat casually, first by the rail average late last week, and by the industrial average after this week had gotten off to an uneasy start made cautious by some tendencies of the aircrafts to lag seriously.

* * *

Volume remained moderate and it was an odd coincidence that the 2,770,000 trading on the confirmation was identical with that posted on March 4 when the previous high-water marks were reached. It means that all the ground lost in the uneasiness over the Senate's recent study of the stock market has been regained.

* * *

Caution Remains

The achievement didn't dispel all the caution around. For one, the fact that the industrial average was below 354 immediately preceding the November elections, and has now forged above 420, is concrete proof that the market has gone far to discount the current business boom. For another, the rails have been outperforming the industrials on the recent upturn. They have benefited by far more striking improvements in their earnings statements over last year. So the question of what lies ahead is an active guessing game with plenty of room for opposing views.

* * *

Technical considerations aren't of much help on the eventual destination of the averages because even within the components of the indices the analysts can find issues that have discounted most of the foreseeable improvement as well as those that are definitely laggard. Moreover, some of the component issues are well above their 1929 bull market peaks, while others not only are well below but aren't expected generally to make any serious stab at the moment at equaling the record prices.

* * *

Impact of Salk Polio Vaccine

Among the specific items that had the market churning a bit was the official report on the success of the Salk polio vaccine. The makers of proprietary drugs that have been buoyant marketwise, such as Merck and Parke Davis, ran into irregularity when it became evident that the field of makers of the new vaccine was going to be a pretty crowded one with such other corporations as American Home Products all set to move in rapidly.

* * *

There was some other not-too-ancient instances where intensive competition muddied the investment waters, notably in the case of some of the "wonder" drugs. The net result was that all the benefits expected to accrue to the pioneers were seriously whittled down when the competition slashed at prices and profits.

* * *

Chemical issues generally, as a matter of fact, made much better overall progress than the drug shares. Monsanto, Allied Chemical and Stauffer Chemical had carved out better improvement this week than the prime drug firms. Monsanto in particular stood out on its ability to forge to a new high, which hasn't been a habit in the chemical section for some time now.

* * *

Aircrafts Feel Prospective Profit Scrutiny

For the aircrafts, which have been erratic for some time lately, the specific reason for this week's easiness were some rumors of renegotiation and a scanning of their profits generally. The weakness was rather general and left the group around the lowest prices seen so far this year, with Douglas and Grumman joining the daily new lows.

* * *

Rubber issues were among the brighter spots with some of the better momentary gains and for Goodyear, in particular, the general strength was enough for a new high. Their companion group, the auto makers, didn't share in the enthusiasm to any great extent and, although there was no great pressure evident, neither was there any great disposition to go along with strength elsewhere.

* * *

Like the industrial average, U. S. Steel was able to push to a new high without fanfare and despite some erratic moves elsewhere in the ferrous section. Bethlehem Steel put on some wilder movements, what with new financing coming along and in view of official statements that indicate a stock split isn't uppermost in the minds of the directors at the minute. It was somewhat commonplace for Bethlehem to move over daily ranges of three to four points. National Steel was able to put several fair gains together to turn in a performance that was a bit superior to that of the other steelmakers.

* * *

Western Union was an individual star on strength, a good bit of it anticipating a periodical directors' meeting and abetted by the usual talk of stock splitting. The stock was a repeater among the new highs and reached a level around double the price of the stock in its 1946 bull market runup. But it was well shy of being even half as high as the overly optimistic 1929 peak.

* * *

General Strength in Rails

Rails strength was fairly general, although Louisville & Nashville was a bit contrary at one stage in mid-week under the pressure of a $5,000,000 secondary offering of the stock which made the traders cautious. Delaware & Hudson and Union Pacific turned in good performances pricewise, while the activity centered on New York Central, Pennsylvania Railroad and Canadian Pacific with fair price action. Central, in particular, was able to nudge its best price ahead moderately into the 40-bracket, which is also better than the issue was able to achieve in 1946 but only a sixth as much as its 1929 peak.

* * *

Atomic issues weren't overly active and were inclined to slip in the face of a rash of commission house studies warning that the actual profits of the atomic age weren't going to be immediately available with all the developmental work and research to be done before the benefits accrue.

* * *

Paper stocks were in good form generally with International Paper carving out some of the better gains while St. Regis Paper was something of an oddity with an appearance in the new highs tabulation. For most of the other paper issues the previous highs have been immune from immediate challenge.

* * *

International Business Machines continued to forge further into historic levels making it one of the half dozen highest price tags on the New York Stock Exchange and in the 400 bracket for the first time in its existence. The stock was split in previous years when it approached the 200-300 level. This, obviously, started a new round of stock split talk.

[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.]

NEW ISSUE — *Offered as a Speculation*

133,000 Shares

WILLIAMSON PAR THREE, INC.

Capital Stock

The Company has acquired an option to purchase approximately 35 acres at Daytona Beach, Florida, for the construction of a "par three" golf course.

Price: $1.25 per share

Copies of the Offering Circular may be obtained from

E. E. SMITH COMPANY C2

15 William Street, New York 5, N. Y.

Telephone: DIgby 4-4740

Gentlemen: Please send me a copy of the Offering Circular relating to Williamson Par Three, Inc.

Name__________

Address__________

City__________ Zone______ State__________

LETTER TO THE EDITOR:

Another Testimonial to Late Berkeley Williams

An old-time admirer of Berkeley Williams cites other traits not covered in a former estimate of his character, which appeared in the "Chronicle."

Editor, Commercial and Financial Chronicle:

The writer, an old-time reader of the "Chronicle," would like to offer the following friendly criticism of the tribute to the late Berkeley Williams which appeared in a recent issue of the "Chronicle," written by Alexander Wilson of your staff. It was somewhat of a surprise to me that anyone as conversant as Mr. Wilson is with the late Berkeley Williams' characteristics should overlook his most dominant quality: independence of thought and action.

Berkeley Williams

Berkeley Williams was a hater of shams, a detester of pretension and every form of mental posing, an objective thinker, a seeker after truth, consistency and facts in political, business, social and religious questions—following the dictates of an honest conscience and an open and brilliant mind to prove the existence and validity of truth and truth only.

This short critique of Mr. Wilson's "In Memoriam" tribute to Berkeley Williams in your Dec. 9 issue seems especially apropos in view of the fearless "Chronicle" article (May 18, 1950, page 14) from Mr. Wilson's pen entitled "A Defense of Man's Right to Intellectual Freedom" in the course of which he vehemently gave independence of mind and action its ablest expression, but strangely enough Mr. Wilson neglected to note its presence in all of Mr. Williams' thinking and philosophy.

May I also say that it was one of the pleasures of my life to receive occasionally correspondence in which Mr. Williams sometimes assumed a negative position to my viewpoint and without fear or favor discussed the merits of controversial subjects.

Mr. Williams was always the old school Southern gentleman, assiduously following his personal code of "let's reason this thing out together, open-mindedly and objectively, entirely on its merits wherever it leads, and let the best man win."

Mr. Editor, in the passing of Berkeley Williams, the world has lost a valiant soul at a time when our country needs men of his calibre.

Most respectfully,

WILLIAM G. LIGHTBOWNE

Bogota, N. J.,
April 11, 1955

Ladenburg, Thalmann & Company

International banking house completes 75 years' membership in the N. Y. Stock Exchange

The well-known international banking firm of Ladenburg, Thalmann & Co., 25 Broad Street, this city, finished 75 years membership in the New York Stock Exchange on April 1 of this year. The firm was founded in 1875 and is now one of the oldest firms in Wall Street.

The partnership includes Harry B. Lake, Henry March, John Rosenthal, Carl K. Erpf, Otto Marx, Jr., Estate of Edward E. Thalmann (Ltd.), Paul M. Rosenthal (Ltd.) and Jane R. Heimerdinger (Ltd.)

With Smith, Clanton

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Edward B. Kemm has become connected with Smith, Clanton & Company, Southeastern Building.

Max Ibers Joins Coombs & Co. of L. A.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Max C. Ibers, Jr. has become associated with Coombs & Co. of Los Angeles, Inc., 602 West Sixth Street. Mr. Ibers was formerly with Oscar F. Kraft & Co. and was with T. J. Feibleman & Co. in New Orleans.

Herbert Scarholm has also joined the firm's staff.

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No Saturation in Home Mortgage Market!

By NORMAN P. MASON*
Commissioner, Federal Housing Administration

Commissioner Mason, upholding the Administration's housing program and asserting the FHA is a soundly organized agency, decries fear of over-extension in home mortgage field and contends there is "soundness in this mortgage market." Quotes supporting views of others, and concludes a "sound prosperity need not be followed by a Sunday morning hangover."

The past few months have been packed with action on the housing front. During these months I have traveled from one end of this country to the other. I have had a rare opportunity to observe the economic growth and development in a good many areas. Building activity is a remarkably accurate criterion of the growth and prosperity of a community.

Norman P. Mason

In my visits to this great Southwest, I have been particularly impressed with the growth and the opportunity here for growth. Here you have natural resources in abundance. Here you have industry and new people flocking in.

But you are not importing all your new population—a good deal of it is home grown. Your bumper crop of children shows you believe in patronizing home industry!

It's good business, you know, to patronize home industry. And your contribution to home financing in your home communities shows that you recognize the needs of your neighbors.

In meeting these needs, FHA and the savings and loan associations are allied in common objectives.

Certainly there is one subject on which we see eye to eye: That investment in the American home is a sound investment, and one that pays dividends.

As to our common objectives, certainly one is making home ownership available to as many American families as possible.

Perhaps the savings and loan associations in 1934 were not at all enthusiastic about the creation of FHA and the mortgage insurance provisions of the National Housing Act. Perhaps there were headshaking predictions that if the Act became law, savings and loan associations were in trouble.

It is interesting, in view of this, to see how the associations have grown in the last 20 years. Your total assets, nationally, in 1934 were $6.4 billion. At the end of 1954, with assets totaling more than $31 billion, you are making nearly 40% of all home mortgage loans. And may I add that many progressive savings and loan associations are serving their communities on a broad front with conventional, VA and FHA loans.

FHA offers no contest between different types of financing, but an opportunity to employ all types appropriately to meet the widest range of market needs. Our communities cannot move ahead on their slum clearance and rehabilitation plans without this participation. Right here in New Orleans pilot plant experiments have proved that urban renewal is practical when builders and lenders join to make it so.

*An address by Commissioner Mason before the Southwestern Savings and Loan Conference, New Orleans, La., March 28, 1955.

Benefits of Eisenhower Housing Program

On a broad front, President Eisenhower's housing program makes home ownership a reality to additional thousands through its helpful financing terms. It helps everyone who needs housing. You can further this cause, and you can do it with profit.

There is an advantage to you in making FHA-insured loans to FHA has recognized that the cost help people buy low cost homes. of servicing these loans is proportionately greater in relation to proceeds. It allows, therefore, a one-half of 1% service charge on loans up to $6,650. This will not fatten anyone's pocketbook but it does recognize your added expense and helps you to make home ownership possible for more of the people who need it most.

The new legislation has done something concrete to help all home-seekers residing in outlying regions and in small communities. The Voluntary Home Mortgage Credit program is now working and assisting families who heretofore have been unable to use FHA because of uneven geographical distribution of private mortgage credit.

Representing as you do communities of every size, your associations have been doing a fine job on the home front, helping people to purchase homes in small communities as well as in urban areas. Now with this new tool you can help your communities even more.

Still another field of opportunity for you is the field of rehabilitation and housing improvement. You now have the opportunity to help rescue and restore blighted area. You can also, with government backing, assist the home owner who needs credit to maintain and improve his property.

You have available to you through FHA the opportunity to make Title I home improvement loans. Again this program lets you serve all the needs of your area.

Where state laws permit, I hope you will also consider writing so-called open-end mortgages which permit you to help borrowers keep their property modern and up-to-date. There is nothing like having a home owner get some of himself into his home. By modernizing it, his determination will be just that much greater to keep his payments up through all adversity. FHA mortgages can be written with this provision.

About 25% of all home mortgages now being written include the open-end feature. The big growth in this type of lending has come since World War II. Additional advances under open-end mortgages totaled over $500 million in 1954. This compares with $47 million for a year as recent as 1947.

Talk of Mutualization of FHA

We hear a good deal of talk these days on another subject—the so-called mutualizing of FHA. This means giving private industry a larger stake in its operation and reducing government's fixed liability. It's the kind of objective that both the administration and businessmen applaud in an objective way.

But when you come right down to consideration of the concrete steps required to make any such changes you are faced with the realization that the folk who originated FHA did a great deal of careful thinking.

We've been doing studies and talking with business leaders and government officials. We've gone about this with no pre-conceived ideas but in so doing, we keep coming up with evidence that FHA is fairly well mutualized now.

For instance, there are no government funds involved in FHA. All the funds needed to organize it have been paid back to the Treasury—and with interest, too. FHA does have a Treasury guarantee of the debentures it issues when paying losses, but FHA has substantial reserves from which to pay these debentures. These aggregate over $360 million.

They are larger percentage-wise than are, for instance, the reserves of the Federal Savings and Loan Insurance Corporation, which we all believe are adequate. FHA losses have been only 3/100 of 1% of the total mortgages it has insured since 1934.

People talk glibly about the contingent liability of FHA and cite as a figure the total outstanding mortgage insurance of about $17 billion.

No one knows exactly what FHA's contingent liability is, but we do know that from this figure must be subtracted our accumulated reserves plus a figure which will represent the reclaimable value of the real estate on which the insured loan is made.

With our method of settling claims presenting us with 20 years in which to ride out any bad market situation, it seems that the contingent liability of the government might well be a contingent profit instead. Certainly to date this is the case.

FHA—A Soundly Organized Agency

Yes, FHA is a soundly organized agency. It helps you serve your community. It helps you make home ownership possible to a wide range of people.

Now another matter much in the public eye. I would like to mention a subject of common interest to us—the outlook for housing.

Many have viewed with alarm the virility of the home building business during these early months of 1955. I have taken no part in the expressions of fear of the outcome of the so-called "building boom." I don't want to be like the young mother who, when things are going well, asks her husband to get up and go see why the baby's not crying.

Maybe it is a fatalistic approach to prosperity, like the farmer's dim view of his forthcoming Saturday night fun as he said, "I've got to go to town tonight and get drunk—and gosh how I dread it!"

Let's all agree that sound prosperity need not be followed by a Sunday morning hangover. I have found dependable opinions supporting my confidence in the outlook. Dr. George Cline Smith, construction economist for F. W. Dodge, points out that there is a world of difference between building activity today and during the peak years of 1926 and '27. Using an index of construction costs and adjusting for population growth, he reports that today's volume of private construction is approximately only three-quarters as high as the '26 peak.

In short, then, to answer the question, "How long can the building boom last?" we can reply, "What boom?" According to Dr. Smith the real question is: "Are we building enough"

In a newsletter the Construction Department of the Chamber of Commerce of the United States predicts no saturation of the housing market in the foreseeable future. It observes no disturbing increase in vacancies. And it challenges the validity of fears which stem from the mortgage debt increase.

Another who has challenged these fears is George C. Johnson, President of the Dime Savings Bank of Brooklyn, which holds more mortgages than any other savings bank in the world. He believes the debt rests on a solid foundation and, furthermore, he points out that it is being paid off. Regular payments on mortgage principal and interest now amount to 2.6% of all spendable income. We can compare this without alarm with 2.7% in 1939—a year in which mortgage debt was not considered excessive.

Why Mortgage Debt is Growing

Home mortgage debt is growing simply because more people than ever before are able to buy homes. Last year the disposable income of Americans was $253 billion—a new all-time record.

But the ability to buy certainly isn't the only governing factor in the demand for homes. Simply being able to buy something isn't enough—there must be reasons why people buy.

Dr. Smith points out that if prosperity alone were sufficient, the market for racoon coats and tandem bicycles would really be booming today. The people today don't want racoon coats or tandem bicycles, but they do want homes.

I have dwelt upon the soundness of this housing market because it is to our common interest as allies, to take stock of the business we're in and to keep our eye on its future well-being.

The sustained production of well over one million homes a year in this country is an activity your government naturally watches with interest. But the present situation, in my opinion, calls neither for apprehension nor for alarm. One financial leader, in a recent interview, has told us: "Don't be afraid of prosperity!"

I like this type of confidence. It's highly contagious. And I think you savings and loan men have caught it.

Some once described the relationship between FHA and savings and loan associations as one of "peaceful co-existence." I don't think that today this is an accurate description. I believe it's much, much more. I believe we have a new relationship in which each recognizes the resources of the other.

New demands are being made on savings and loan associations by people at the grassroots seeking benefits offered by the Housing Act of 1954. And the Housing Act has given you many new tools to use profitably in meeting these demands.

If there ever were two organizations having a mutual goal and an incentive to work together, it is the FHA and savings and loan associations.

Your rightful role in your community is one of leadership. The FHA stands ready always to help you assert that leadership.

H. A. Riecke Elects

PHILADELPHIA, Pa.—At the annual meeting of stockholders of H. A. Riecke & Co., Inc., 1519 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange, the following were elected to serve for the ensuing year: Henry A. Riecke, Chairman of the Board; John E. Parker, President and General Manager; Darrah E. Ribble, Vice-President and Assistant Secretary; Richard J. Handly, Secretary and Treasurer, and Alfred J. Davis, Office Manager and Assistant Treasurer.

This is not an offer to dispose of, or solicitation of an offer to buy, the securities described below. Such offer or solicitation is made only by the Offering Circular.

NEW ISSUE

200,000 Shares

LINDLY & COMPANY, INC.

Common Stock

Offering Price: $1.50 Per Share

Orders executed by, and Offering Circular obtainable from,

AETNA SECURITIES CORPORATION

111 BROADWAY NEW YORK 6, N. Y.

April 12, 1955

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Directors of **J. Henry Schroder Banking Corporation** and **Schroder Trust Company** announced on April 11 the election of Norris Darrell as a director of the two banks. Mr. Darrell is a partner in the New York City law firm of Sullivan & Cromwell.

* * *

The Grace National Bank of New York on April 5 elected William S. Robertson, President of American & Foreign Power Company, Inc. and George H. Rutherford, Vice-President of the National Dairy Products Corporation, as members of the Board of Directors. Mr. Robertson has been President of American & Foreign Power Company, Inc. since 1944. Previously he was Vice-President of Ebasco Services, Inc. from 1935 to 1943 and President of Ebasco International Corporation from 1942 to 1944. Mr. Rutherford has been Vice-President of the National Dairy Products Corporation since 1943 and a Director since 1949. He is also a member of the Company's finance committee. He has been with the firm in various capacities, including Treasurer, since 1932.

* * *

At a regular meeting of the Directors of **The First National City Bank of New York,** held on April 12, H. A. Yoars was appointed a Vice-President. Mr. Yoars joined the Bank March 16th as Head of the newly formed Mortgage and Real Estate Loan Department which became a part of the Special Industries Group, comprised also of the Petroleum, Public Utilities, and Transportation Departments. He was formerly a Vice-President of The Equitable Life Assurance Society and has had broad experience in the mortgage and real estate loan business.

At the same meeting, George C. Jones was appointed an Assistant Cashier. He is assigned to the South American District of the Overseas Division.

New modernized quarters were opened on April 12 at 20 Dey St. for the 195 Broadway Branch of **The First National City Bank of New York.** Featuring an enlarged floor area and scientific space planning for quicker service, the branch will have an additional entrance at 45 Church St., across the street from the Hudson Tubes. The quarters may also be entered from the lobby of the building at 195 Broadway. Branch Manager is William L. Mead who has been with the bank for more than 30 years. He has served at the branch for the past nine years.

* * *

The appointment of Harold W. Smith as an Assistant Secretary of **Manufacturers Trust Company of New York** was announced on April 7 by Horace C. Flanigan, President. Mr. Smith is a territorial assistant in the bank's Far Eastern Division. He joined Manufacturers Trust in 1941 and is a graduate of Rutgers University.

The appointment of William Hauptmann, Gilbert Lawrence, George A. Mensi, John O'Brien, Parker M. Reed, John J. Schmid, and James J. Waters as Assistant Secretaries of Manufacturers Trust Company was announced on April 11 by President Flanigan, Mr. Hauptman is assigned to the bank's General Service Department; Mr. Lawrence to the Comptroller's Department; Messrs. Mensi, O'Brien, Schmid and Waters to the Branch Administration Department; Mr. Reed to the Personel Department.

* * *

S. Sloan Colt, President of **Bankers Trust Company, of New York** announced on April 13 the election of Harold P. Gundersdorf and Edward T. Hetzler as Vice-Presidents. Both had been Assistant Vice-Presidents. At the same time, the promotion of three men to the post of Assistant Vice-President was announced. They are Robert S. Kraham, in charge of the Bank's 14th Street and Eighth Avenue Office, and Craig de V. Simpson and Floyd Stansberry of the Municipal Bond Division. Mr. Gundersdorf has been with the bank since 1929. He became Manager of the Tax Department in 1943 and Assistant Vice-President in 1946. Mr. Hetzler, who is in charge of the Public Relations Department, came to Bankers Trust in 1923. He served for a time in the Bank's Paris (France) office. He was elected Assistant Treasurer in 1928, and Assistant Vice-President in 1947. He is a member of the New York Financial Advertisers and is Treasurer and Trustee of Horace Mann School.

* * *

The merger of **Metropolitan Industrial Bank** into the **Commercial State Bank & Trust Co. of N. Y.** was approved on April 6 at stockholders' meetings held at each of the institutions, it was announced jointly by Jacob Leichtman, President of Commercial State, and Isadore Weckstein, President of Metropolitan Industrial. As a result of the merger which becomes effective at the close of business on April 15, the consolidated institution operating as Commercial State Bank & Trust Company of New York will have resources of about $100,000,000 and nine banking offices. Ninety-four per cent, or 11,718 out of 12,500 outstanding shares of Metropolitan's stock, were voted in favor of the merger. There were no dissenting votes. Six per cent of the share remained unvoted. Over 90%, or 72,419 out of 80,000 outstanding shares of Commercial State stock, were voted to approve the merger. Votes against the merger is it stated totalled only 75 shares. Tentative approval of the merger it is added has already been given by the N. Y. State Banking Department and the Federal Deposit Insurance Corp. Under terms of the merger, Metropolitan Industrial Bank shareholders will receive $150 in cash, or 2 and fourtenths shares of Commerical State Bank stock for each share of Metropolitan Industrial Bank stock.

All personnel of Metropolitan Industrial Bank will be retained by Commercial State. D. Mallory Stephens will continue to serve as Chairman of the Board of the combined institutions, with Jacob Leichtman as President. Jack Holland, a director of Metropolitan Industrial Bank, will join the board of Commercial State. As of Dec. 31, 1954, Metropolitan Industrial Bank reported deposits of $17,220,000; resources were $19,051,000; with capital funds reported at $1,500,000. Commercial State Bank and Trust Company reported deposits as of Dec. 31, 1954, at $71,431,000; resources of $78,760,000; and capital funds totalling $5,910,000. A previous item bearing on the merger appeared in our issue of Feb. 10, page 712. The main office of the Metropolitan Industrial Bank is located at 781 Eastern Parkway, Brooklyn, N. Y., while the headquarters of the Commerial State Bank & Trust Co. is at 116 Fifth Ave., Manhattan.

* * *

Mortimer J. Palmer has been appointed a Vice-President of the **Chase Manhattan Bank, of New York** it was announced on April 13 by J. Stewart Baker, Chairman of the Executive Committee and President. Mr. Palmer formerly was Secretary of the Bank of the **Manhattan Company,** with which he has been associated since 1918. Cornelius J. Maher, Arthur F. Wendel and Stuart W. Don were appointed Assistant Vice-Presidents. Mr. Maher is in charge of the operations of the loan department of the bank at the head office; Mr. Wendel is in charge of the bank's office in Flushing, Long Island; Mr. Don, until recently European Representative of the **Bank of the Manhattan in London,** will be associated with the Chase Manhattan Office at 6 Lombard Street, London.

* * *

Two Nassau County (Long Island) commercial banks were to be merged with **The Meadow Brook National Bank, Freeport, L. I.,** at the close of business today (April 14), according to an announcement made jointly by the Presidents of the three institutions. **The Bank of New Hyde Park** and **The National City Bank of Long Beach** are the two banks scheduled to be consolidated with Meadow Brook, bringing that bank's total resources to more than $200,000,000, with 21 offices. The announcement stated:

"The stockholders of Meadow Brook, at a special meeting held in the West Hempstead office of the bank on April 11, gave their approval to the consolidation." It came from Louis E. Goldstein, President of the Long Beach bank; Edward Miller, President of the New Hyde Park institution; and Augustus B. Weller, head of Meadow Brook, who further announced: "Prior to that meeting the stockholders of the Bank of New Hyde Park and of The National City Bank of Long Beach, had voted for the mergers. Tentative approval has been received from the Comptroller of the Currency." Final permission to complete the mergers was expected today (April 14).

The National City Bank of Long Beach has one office, and two summer-time facilities. The Bank of New Hyde Park has two offices, one on Jericho Turnpike in the heart of the village and the other on Hillside Ave. just east of New Hyde Park Road. The Bank of New Hyde Park brought assets of more than $12,000,000 to the merger, and the total resources of the Long Beach institution were about $15,000,000. In New Hyde Park there are 43 officers and staff members. The total staff of the Long Beach bank is 31 persons. The announcement specified that personnel in these offices joining Meadow Brook will remain in their present locations, with the possible exception of members of highly specialized departments. The total staff of the Meadow Brook bank now numbers almost 700 persons.

* * *

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	Mar. 31,'55 $	Dec. 31,'54 $
Total resources	108,932,738	108,997,232
Deposits	101,517,617	101,664,619
Cash and due from banks	12,375,622	10,706,740
U. S. Govt. security holdings	36,427,659	39,065,030
Loans & discounts	40,859,884	39,611,237
Undivided profits	1,172,383	1,104,852

* * *

The Rockland-Atlas National Bank of Boston, Mass., whose stockholders early this year approved an amendment to the articles of association looking toward an increase in the number of shares outstanding from 111,250 to 222,500 shares, referred to in these columns Feb. 2, page 608, reports net operating earnings after taxes of $151,073 for the first quarter ending March 31, 1955 in contrast to $150,704 for the same period last year. As to its action early in the year, the bank on April 6 says: As of Feb. 15 of this year the bank split its capital stock two for one and, further, increased the total number of shares outstanding by the sale of 37,500 additional shares. First quarter earnings were equivalent to 58 cents per share on the total of 260,000 shares outstanding at the end of the quarter. An item bearing on the bank's action on Jan. 25, appeared in these columns Feb. 3, page 609.

* * *

The sale of new stock to the amount of $75,000 served to increase the capital of the **Second National Bank of Nazareth, Pa.,** from $150,000 to $225,000, effective March 21.

* * *

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Mar. 31,'55 $	Dec. 31,'54 $
Total resources	897,645,350	965,847,447
Deposits	808,539,113	874,950,364
Cash and due from banks	225,868,812	264,869,725
U. S. Govt. security holdings	183,721,737	251,344,464
Loans & discounts	331,[illegible]97,556	316,147,770
Undivided profits	13,924,101	13,684,806

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Mar. 31,'55 $	Dec. 31,'54 $
Total resources	372,243,437	369,716,170
Deposits	341,579,404	340,[illegible]
Cash and due from banks	25,425,001	27,228,389
U. S. Govt. security holdings	121,003,791	120,985,057
Loans & discounts	65,903,951	188,512,179

* * *

The People's National Bank of Miami Shores, Fla., has increased its capital as of March 10, from $500,000 to $550,000, as a result of the sale of $50,000 of new stock.

* * *

The First National Bank of Anniston, Ala., reports a capital of $600,000 as of March 18, increased from $360,000 by a stock dividend of $240,000.

* * *

The State National Bank of El Paso, Texas, doubled its capital as of March 1, when, as a result of a stock dividend of $1,500,000, it was raised to $3,000,000, compared with $1,500,000 previously.

* * *

Stockholders of the **American Trust Company of San Francisco, Calif.,** at a special meeting April 7 voted to increase the number of authorized shares of capital stock from 2,500.000 to 3,500,000 according to an announcement April 8 by James K. Lochead, President. Of the additional authorized capital stock, 556,250 shares will be offered at this time, with a pro-rata offering to holders of outstanding stock of record at the close of business April 5, 1955 on a basis of one new share for each four held, at a price of $35 per share. Subscription warrants will expire at 5:00 p.m. on May 10, 1955. The offering will be underwritten by a group of investment bankers headed by Blyth & Co., Inc. The bank presently has 2,225,000 shares of capital stock outstanding. The 718,750 shares of authorized and unissued stock remaining after the offering will be available for future needs. The $19,468,750 to be realized from this offering will increase the bank's capital funds to $97,317,000. Commenting on the dividend rate, Mr. Lochead stated; "The board of directors intends to increase the quarterly dividend from 35 cents a share to 40 cents commencing with the dividend payable June 10, 1955, to stockholders of record May 31, 1955. It is the board's intention to continue to declare dividends at the annual rate of $1.60 a share if future earnings so warrant." A reference to the proposed increase in capital appeared in our March 31 issue, page 1545.

* * *

Elliott McAllister, President of **The Bank of California, N. A., San Francisco, Calif.,** announced on April 5 the appointment of Arthur L. Ganson as Assistant Manager of the bank's Seattle, Washington Office. He will be in charge of Correspondent Bank Relations, Business Development, and Public Relations. Mr. Ganson has served for the past four years as Executive Secretary of the Washington Bankers Association. Prior to that he was Manager of various departments of the Seattle Chamber of Commerce for nine years, and earlier had spent five years in the banking profession in his native eastern Washington. At the present time he is serving as Registrar, Pacific Coast Banking School, and also as Vice-President of the State Association Section of the American Bankers Association.

* * *

The First Western Bank and Trust Company of San Francisco, Calif., has received permission from the State Superintendent of Banks to open an office in Redding, Calif. T. P. Coats, Chairman of the bank's board of directors, announced on April 7. He said negotiations already were on for a suitable site for the new Redding office and that opening plans would progress rapidly once the matter of a building site is finalized. First Western offices already in operation total 57. They are located in 42 California cities and towns.

John Wilcox V.-P. of Marine Midland Trust

The election of John M. Wilcox as a Vice-President of The Marine Midland Trust Company of New York has been announced by George C. Textor, President.

John M. Wilcox

Mr. Wilcox, formerly Assistant Vice-President, is in charge of the bank's Government Bond Department. He is also a Vice-President of The Marine Trust Company of Western New York, and an Assistant Vice-President of Marine Midland Corporation.

New Partnership

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Milton Meyer and Walter H. Shorestein have formed a partnership and will conduct a securities business under the firm name of Milton Meyer & Co. from offices at 39 Sutter Street.

Nikko-Kasai Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, California—Nikko-Kasai Securities Co. has been formed with offices at 2165 California Street to engage in a securities business. Officers are Kenji Kasai, President; Jiro Minegishi, Vice-President, and Aya Kasaie, Treasurer. Mr. Kasai was formerly proprietor of Kasai Securities Co.

T. M. Robinson Jr. Opens

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—T. M. Robinson Jr. is engaging in the securities business from offices in the T. W. Patterson Building.

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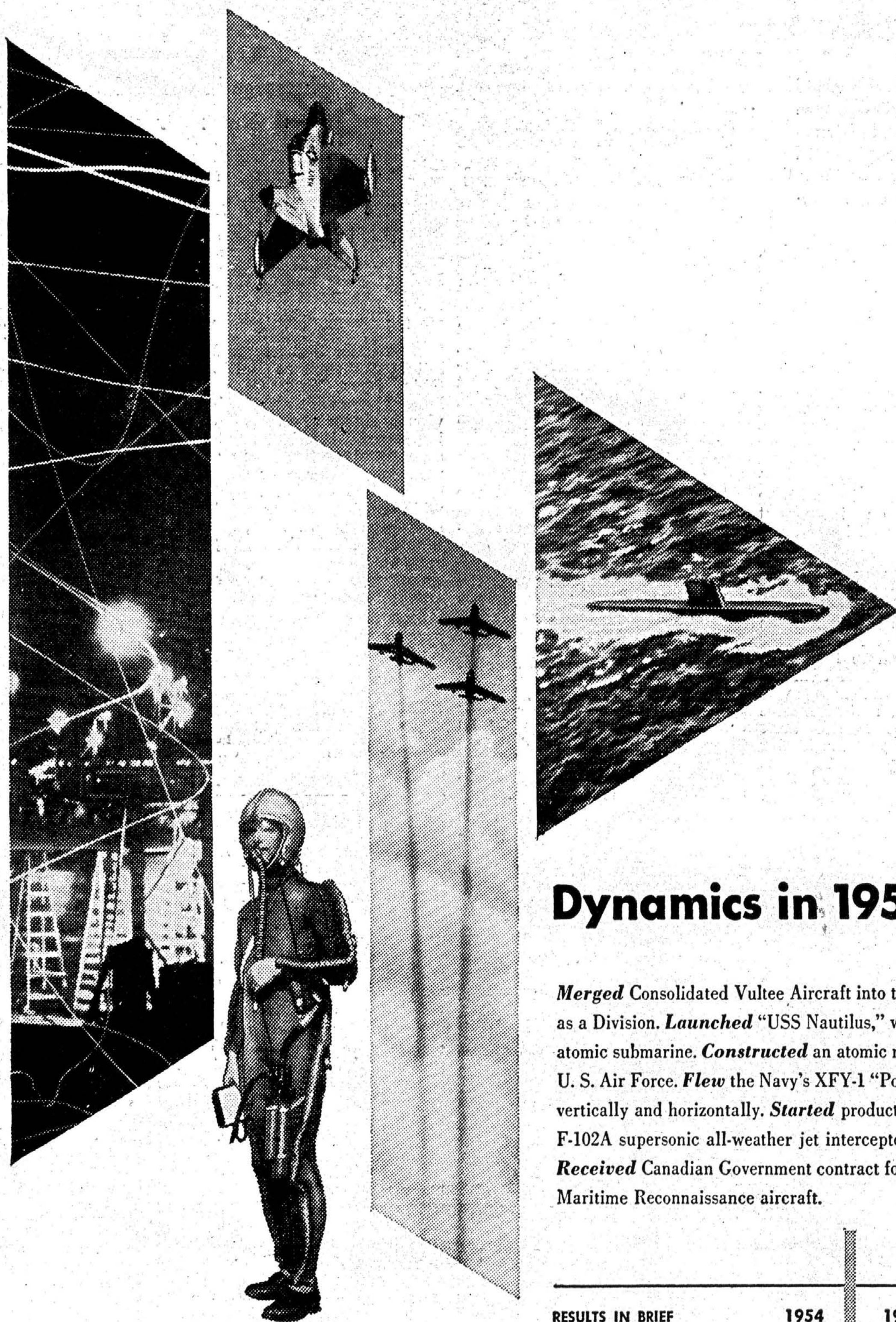

Dynamics in 1954

Merged Consolidated Vultee Aircraft into the Corporation as a Division. ***Launched*** "USS Nautilus," world's first atomic submarine. ***Constructed*** an atomic reactor for the U. S. Air Force. ***Flew*** the Navy's XFY-1 "Pogo-Stick" vertically and horizontally. ***Started*** production of Air Force F-102A supersonic all-weather jet interceptor. ***Received*** Canadian Government contract for new 4-engine Maritime Reconnaissance aircraft.

RESULTS IN BRIEF	1954	1953 (1)
Net Sales	$ 648,641,241	$ 577,347,511
Profit Before Taxes	43,895,472	28,018,866
Net Earnings	20,795,472	13,193,866 (2)
Earnings Per Common Share (3)	$4.72	$3.27
Cash Dividends	7,438,453	6,738,945
Working Capital	67,317,700	62,459,971
Net Worth	88,729,634	74,471,555
Backlog	1,007,800,000	902,500,000

(1) ON A PRO FORMA BASIS, INCLUDING CONSOLIDATED VULTEE AIRCRAFT CORPORATION. (2) EXCLUDING EXTRAORDINARY INCOME. (3) ADJUSTED TO GIVE EFFECT TO 2-FOR-1 STOCK SPLIT-UP ON MARCH 10, 1955.

GENERAL DYNAMICS

DIVISIONS

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Is the Bank of England Rate Effective?

By PAUL EINZIG

Pointing out that following the raising of the Bank of England discount rate to 4½%, bank loans, instead of declining, have increased, Dr. Einzig contends the rate rise has been ineffective in curbing credit expansion. Says producers in Britain can add the higher interest cost to prices, since consumer demand is rising and thus the Keynesian monetary policy has not withstood the test of postwar experience.

LONDON, Eng.—Ever since the Bank of England discount rate was raised to 4½% its effects have been awaited with considerable interest in political circles. There was, of course, an immediate reaction in the money market, where interest rates rose to above 3½% and in the foreign exchange market where sterling became distinctly firmer. The publication of the March figures of the commercial banks was awaited with unusual interest because it was expected to indicate whether and to what extent the higher bank rate was accompanied by a contraction of credit. These figures have now been published, and they show no sign of any credit squeeze.

Dr. Paul Einzig

It is true, bank deposits, at £6,401.6 million show a decline of £123.2 million on the month. But this may be the result of seasonal tax payments. Indeed, the amount of Treasury Bills held by the banks declined by over £100 million, because the Treasury having received large tax payments was able to reduce the volume of the Treasury bill issue. It remains to be seen whether, after the cessation of the seasonal tax payments, deposits will increase once more to the vicinity of their previous high level, or even above it.

The fact that bank loans, instead of declining, showed an increase by £24.5 million seems to indicate that the credit expansion has not even been halted, let alone reversed. Other things being equal, this should mean that, but for the seasonal tax payments, deposits today would be even higher than they were before the increase of the bank rate. From this point of view at any rate the increase of the bank rate seems to have been quite ineffective.

The reason why before the war bank rate increases were invariably accompanied by a contraction of credit was that they were regarded as a warning signal, as a result of which lenders were inclined to call in credits and lend less, and borrowers were inclined to repay credit and borrow less. Amidst the changed conditions the present substantial increase of the bank rate seems to have failed to produce this psychological effect. There has been so far no evidence of banks refusing credit to finance sound business propositions. There is an almost complete absence of complaints by borrowers on that ground. While in 1952 the credit squeeze resulted in a wave of complaints and criticisms, so far we have not come across any on the present occasion. Nor have borrowers been queuing up before their banks in this anxiety to repay their advances rather than pay the higher interest rates.

The reason why the bank rate appears to be ineffective in this sphere lies in the assumption that in existing circumstances the government could not possibly afford to have a business recession, and that the inflationary wages spiral will continue. Businessmen are not unduly worried by the higher interest rates. In most lines of business there is an adequate profit margin to cover the extra cost. In any case, prices are still rising, so that the additional interest charges can be added, in many instances, to the prices charged to the buyer. Generally speaking, consumer demand in retail trade continues at its former high level—except in lines where the restrictions on instalment business has produced its effect—and for this reason producers are not inclined to curtail their borrowing from their banks for the requirement of their business.

In the absence of a contraction of credit, the higher bank rate cannot be expected to lead to a curtailment of consumer demand. It is doubtful whether it will even induce most manufacturers and merchants to reduce their inventories, in spite of the higher cost of financing them. There is no reason to suppose that the high bank rate caused a decline of production. The slight increase in unemployment in the Lancashire textile industry is due to causes entirely unrelated to the bank rate change—imports from India and Japan, restrictions in Australian imports of British textiles, and uncertainty about the future price of cotton. Even the Socialists are not suggesting that the high bank rate is to blame.

In other trades full employment continues to prevail. There is again a waiting list for motor car deliveries. Various industries continue to suffer from labor shortage and continue to offer bonuses and other inducements to workers in order to entice them from rival firms or from other industries. Wages demands by the Trade Unions continue to be met in almost every instance, at any rate to a large extent. Evidently, employers are not in the least afraid that as a result of the increase of their wages bills they might find it difficult to borrow the extra money from their banks.

This ineffectiveness of the high bank rate amidst over-full employment came as a complete surprise to the overwhelming majority of British financial experts. They imagined that, once the government has decided to revert to traditional methods of monetary policy, the time-honored rules about the effects of orthodox devices would operate as a matter of course. On the basis of the experience of the past month, they now have to think again. They may derive comfort from the fact that amidst conditions prevailing in postwar Britain the unorthodox fiscal devices of monetary policy have proved equally ineffective. Under over-full employment a Budgetary surplus is no more capable of checking inflation than a high bank rate. So it cannot be said that Keynesian monetary policy has withstood the test of postwar experience any better than has pre-Keynesian monetary policy.

The experience of the 'Thirties has proved the limitations of the effect of bank rate reductions amidst a business depression. It was then believed that although the monetary authorities may be unable to force people to lend and borrow more, they have practically unlimited powers in the opposite direction when they want to check an inflationary boom. The experience of the 'Fifties shows that in that respect too their power is limited under conditions of over-full employment.

Continental Telephone Offering Underwritten

The Continental Telephone Co. is offering to the holders of its common stock rights to subscribe at $19 per share for 243,060 shares of additional common stock at the rate of one share for each four shares held of record on April 7, 1955. The rights will expire at 2:30 p.m. (CST) on April 20, 1955. The offering is being underwritten by a group of investment houses managed jointly by White, Weld & Co.; The First Boston Corp. and W. C. Pitfield & Co., Inc. The underwriters will purchase any unsubscribed shares.

The company proposes to use the proceeds from the sale principally for financing its subsidiaries and for other general corporate purposes. During the five years ended Dec. 31, 1954 the telephone operating subsidiaries of the company made net additions to telephone properties of $34,800,178, representing an increase of approximately 56% in telephone plant. This expansion program, according to the company, is being continued on an accelerated basis, with provision for conversion of an additional number of exchanges from manual to automatic operation.

Continental Telephone controls through stock ownership 19 operating companies in 17 states with a total of 503,740 company owned telephones. It also owns all of the outstanding stock of Telephone Services, Inc. which supplies technical, engineering and other services to the operating subsidiaries.

The company reported consolidated operating revenues of $34,660,159 and net income of $2,142,873 for the year 1954. On March 15, 1954 the company paid an initial dividend of 25 cents per share on the presently outstanding $1 par value common stock and quarterly dividends of the same amount have been regularly paid since that date.

W. Lloyd Secord Retires

MILWAUKEE, Wis.—W. Lloyd Secord, Vice-President of The Milwaukee Company, 207 East Michigan Street. Investment Securities house, was honored by the entire organization at a dinner held April 6 at the Wisconsin Club, on the occasion of his retirement.

Mr. Secord entered the employ of the American Express Company in Chicago at the age of 13. In 1909 at the age of 20, he started at the bottom of the staff of E. H. Rollins & Sons. He resigned in January, 1917 to enter the employ of McCoy and Co. of Chicago as salesman in Wisconsin. In 1919 he joined the sales staff of the Second Ward Securities Company of Milwaukee and was elected Assistant Vice-President. Ten years later, with others in that organization, The Milwaukee Company was organized and he served as Vice-President of the Company until the time of his retirement in April, 1955.

Mr. Secord is a past President of the Milwaukee Bond Club and has served various civic and social organizations. He hopes to enjoy his hobbies, gardening and golfing.

John E. Kassebaum

John E. Kassebaum, manager of the trading department of Van Alstyne, Noel & Co., New York City, passed away on April 11th.

Railroad Securities

Increase in Carloadings Forecast

Railroad issues were pretty much the feature of the stock market last week. Toward the end of the week volume picked up substantially and most of the investment and trading favorites pushed aggressively forward into new high ground. As measured by the Dow-Jones averages, the pre-holiday close was at the highest level since April 1930, a particularly notable achievement when it is considered how far below those earlier highs some important stocks such as Baltimore & Ohio, New York Central and Pennsylvania are now selling. Obviously financial circles have been impressed with the recent favorable trend of traffic, in contrast with the rather poor showing at the start of the year, and by the wide earnings gains scored in the first two months. Also, recent estimates indicate the strong likelihood that the year-to-year traffic gains will continue for some months to come at least.

Last week the 13 regional shippers advisory boards released their estimates of railroad traffic for the second quarter of the year. The anticipated changes compared with a year ago for the individual regions are as follows:

Reporting Boards	Increase in Car Loadings
Great Lakes	18%
Alleghany	11.3
Pacific Coast	9.6
Central Western	9.3
Northwest	8.3
Ohio Valley	8.3
Atlantic States	8.1
Mid-West	6.9
Pacific Northwest	6.3
Trans-Missouri-Kansas	2.8
Southeast	1.0
Southwest	*0.1
New England	*0.8

*Estimated decline.

For the country as a whole the estimates works out to an overall increase of 7.1%. In only two instances is it estimated that traffic will not measure up to the performance of the like period of 1954 and even in these cases the declines anticipated are of modest proportions. In connection with these figures, moreover, it is well to bear in mind that the boards normally err, if they err at all, on the conservative side. The widest gains are, as would be expected in view of the present economic climate, estimated for the most heavily industrialized sections of the country. Only in the Great Lakes and Alleghany regions is it expected that traffic gains will run higher than 10%.

The major share of the estimated traffic gains will come from the automobile and steel industries. Percentagewise the largest rise is visualized in the automobile and trucks classification, 33.0%, while car loadings of vehicle parts are expected to increase 14.4%. On the basis of actual tonnage, however, coal and coke lead the parade, with an anticipated rise of 149,425 cars, or 10.1%. Second in line are ores and concentrates, largely represented by iron ore, which are expected to increase 132,883 cars, or 20%. The only other really substantial increase estimated for the current quarter is in iron and steel products which are expected to be up 11.4%, but representing only 46,285 cars. No major commodities are expected to decline to any important extent, and where reduced loadings are looked for they are largely in the agricultural categories, including such items as cotton, cotton seed, potatoes, non-citrus fruits and fertilizers. The only industrial classification where a decline is looked for is machinery and boilers, and measured in car loads this is nominal.

Frederic Latscha With Ross, Borton, Simon

Frederic F. Latscha

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Frederic F. Latscha has become associated with Ross, Borton & Simon, Inc. of Cleveland. Mr. Latscha was formerly with George Eustis & Co. and prior thereto conducted his own investment firm in Cincinnati.

E. F. Hutton To Have New-Type Wire System

E. F. Hutton & Company, one of the nation's leading members of the New York Stock Exchange, will soon have installed a new type of transcontinental private wire system designed by The Western Union Telegraph Company to meet the specific needs of the firm's increasing business.

Confirming a statement made today by Walter P. Marshall, President of Western Union at the annual meeting of stockholders, the E. F. Hutton & Company announcement said the new transcontinental wire will be in operation within a few months. The specially designed system will be completely automatic and will include many radically new features to meet brokerage needs for speed and efficiency.

E. F. Hutton & Company has pioneered many innovations and improvements in the brokerage business over the years and in 1906 became the first New York brokerage firm to have a private leased wire to the Pacific Coast exclusively for handling orders of its clients.

Phila. Securities Assn.

PHILADELPHIA, Pa.—Members of the Philadelphia Securities Association will be guests of Ralph B. Rogers, President of Texas Industries, Inc., at a meeting to be held at 4 p.m., April 20 at the Midday Club.

Texas Industries, Inc., a leading producer of construction materials, has had a phenomenal growth in the past five years. In 1950 the company had two plants and annual sales of $217,000. Currently it has 30 plants and sales close to $10,000,000 annually. For the nine months of Feb 28, last, net income before taxes was $803,031 against $274,740 in the like nine months of the previous year.

D. C. Parker

Donald C. Parker, Fidelity Union Trust Company, Newark, New Jersey, passed away April 6th at the age of fifty-three.

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How is the *new* New York Central doing?

Let the Chairman and the President tell you (Excerpts from the Annual Report*)

After nearly a year in the New York Central our optimistic view of its potential is undiminished, its economical water level route, running through the industrial heart of the Nation as it does, and serving an area densely populated by almost 80 million people. Details of its physical plant and operations leave much to be desired, but they are susceptible of analysis and correction, tedious and costly though the process may be.

Less easy is it to find the answer to certain intolerable terminal problems, particularly in the East, where the services with which we compete are publicly operated, pampered or subsidized. But studies are well under way and we must find a solution. The Nation's transportation necessities can no longer endure a situation so lopsided that a mainline rail operation, upon which so many employees, shippers and passengers depend, is skimped and sacrificed to the extravagant convenience of a few commuters who have a liberal choice of substitute service.

• • •

Why is it, when the Federal Government and our States and Cities are struggling with unbalanced budgets to maintain facilities and services, gratis, for barges, planes, trucks, buses and automobiles, so little attention is given to the direct recovery of these costs in user charges?

These long-brewing problems of regulation and subsidy as they unequally affect the railroads and their competitors are at last coming to the attention of the Nation's President and its Congress; and well they may, when the ironical contrast is considered that our uncertain allies, recipients of our bountiful relief, to say nothing of our troops, are utterly dependent upon our faithful though anemic rails, consistently leeched. Certainly, some may question the brains if not the sincerity behind our entire defense program so long as this inconsistency continues.

The New York Central is more fortunate than most railroads in having valuable real estate other than that used in its operations, mostly concentrated in the Park Avenue area of New York. Some has yet to be fully developed, particularly the long neglected air rights above the Grand Central Terminal itself, a vast area with as high a cubic foot value as any in the world. This presently unproductive site will be fully exploited as quickly as operating and other problems inherent in such a huge undertaking can be worked out.

The three hotels which your Company operates have been put under new management and a substantial increase in their net revenues is in early prospect.

• • •

Your more than 50 operating Companies and controlled subsidiaries are incorporated under the complex railroads laws of many States and Canada. Failure to more fully consolidate and integrate these vast properties has contributed to many unnecessary tax burdens, and operating and administrative duplications and wastes.

• • •

Your President, acting under the fullest authority, has virtually lived on the property for many months, giving his concentrated attention to costs. He has displayed extraordinary all-around executive qualities in all departments where they have been sadly needed. In his courage, determination and diligence he has uncovered and rooted out long entrenched inefficiencies, thus more than meeting your Board's highest expectations. Far sooner than we had hoped, his attention can be turned to those innumerable details which go to create fine service.

To him alone is due the credit for what will, we believe, one day be recorded as one of the most expeditious jobs of corporate rehabilitation in history. Him we have to thank for the fact that directors so soon considered it sound and conservative to put your stock upon a $2 annual basis when on January 11 it declared a dividend of 50¢ payable on March 10. Not since 1931 has your Company paid a regular quarterly dividend.

• • •

Just as ownership is the best incentive to *good husbandry*, so is open competition the key to the achievement of the lowest prices for high quality in all those commodities and services which your company buys in its day-to-day operations. Nothing is more discouraging to the morale of an organization dedicated to sound operations, than to see preferential relationship at the top level between the company and its bankers, suppliers or concessionaires.

In conclusion, we wish to express to you our recognition of the fine way in which our employees generally have co-operated with the President; and for the generous tolerance of our shippers and passengers for our service which leaves much to be desired. To all we pledge our best efforts to make the New York Central the most dynamic unit in a newly expanding railroad industry.

Robert R. Young

CHAIRMAN OF THE BOARD

When your new management took office we faced an emergency situation in the fast deterioration of your Company's cash position. The railroad had started 1954 with cash and temporary investments of $59,940,600. By the end of June this was down to $32,970,500 and the situation was getting worse. With no current cost controls to work with, the prospects of further rapid deterioration demanded immediate and decisive action to control expenses. It was necessary to live out on the railroad to observe firsthand its operations and institute new methods wherever inefficiency could be detected. That such actions succeeded is shown by the fact that on December 31, 1954 cash had increased to $62,429,500.

On a net income basis, the railroad reported a deficit for the first six months of 1954 of $6,700,000. That was really only half the story of its earnings status; for in the first months of the year, millions had been collected by the Central in dividends from subsidiaries, though normally such dividends have not been paid until the closing months of the year; millions had been spent on maintenance which did not show in the income statement because on the books these expenditures were to be spread out over the remainder of the year; and certain charges and accruals which normally would have been included had not been included.

Largely through speedy control of expenses and improved efficiency the unfavorable earnings trend was reversed. Although railway operating revenues in the last six months of the year were actually less than in the first half, not only was the inherited deficit wiped out, but we ended 1954 with net income of $9,200,000.

I cannot overemphasize the importance of establishing cost controls so that we will have them on a current basis.

• • •

Your Company has had no personnel records worthy of the name. Those it did have lacked the information any company needs if it is to utilize its employees to the best advantage. We are concentrating on the compilation of such records. We have also started wage evaluation studies and we have prepared incentive and bonus plans, the latter explained fully in the proxy statements you will receive. Because the employees of any company are its greatest asset, we are laying plans for an extensive personnel program which will make for better selection and training of our people.

• • •

Physical communications on your railroad have been sadly lacking. One of our early moves was to lease teletype equipment for yard-to-yard communications. This speeds up our knowledge of where cars are, speeds up their movement, saves us time and money, and permits us to let the shipper know currently where his shipment is located. The equipment has been completely installed in all our major yards. At the same time, equipment is being installed which will permit records from yard offices to flow into the Auditor of Car Accounts' office on punch cards, greatly reducing time and labor and giving us better control over our per diem charges and our services to our customers.

Central's yards and terminals, even its newest ones, are out of date, and there has been wasteful duplication of both yards and shops. Just as your Company's complex corporate structure has never been integrated, neither has its physical plant. We have started the process of consolidation. Many yards have been closed down and the jobs they performed absorbed by others. All are under study. The railroad had too many shop facilities, a heritage based on the old concept of railroad operations by steam power — a concept made obsolete by the modern Diesel locomotive. We have closed down many of these shops and are studying the situation further in the search for more economies. With fewer shops we require fewer stores and have been able to reduce our inventory to the lowest level in eight years.

We have undertaken a co-operative study with Carnegie Institute of Technology to determine the best location for our principal classification yards. When this is resolved we intend to make them the most modern in the country.

Electronic signalling is making it possible for us to reduce our track mileage with substantial savings in maintenance and taxes and we have already started this program. Yet we will be able to handle just as much business on a two-track modern railroad as we now do on four tracks.

The Diesel locomotive is a wonderfully productive and economic tool—if properly used. When we came on the property, Central's freight Diesels were being used only about half the time. We have increased the availability of our freight Diesels 25 per cent, and we have in service only 301 of our old steam locomotives. This means that our investment in motive power is working harder and is doing a better job for us.

The passenger service deficit has plagued your railroad, as well as the rest of the industry, ever since the end of the war and we are studying every phase of our passenger service to improve the revenues and reduce exorbitant costs. At the same time, one of our first moves was to start a co-operative study, with five other railroads, of new equipment based on modern concepts of taking advantage of the most recent technological developments. As a result, several new trains are now being produced that will substantially reduce the weight and cost of passenger-carrying equipment per seat with a resultant reduction in both the first cost of these new trains and costs of operation. We are doing this so that the railroads can get back into the mass handling of passengers on an economical basis.

Alfred E. Perlman

PRESIDENT

New York Central Railroad

*Would you like a copy of this annual report? Write to: Secretary, New York Central Railroad 230 Park Ave., New York 17, New York

BOARD OF DIRECTORS

William P. Feeley	Alfred E. Perlman
R. Walter Graham, Jr., M. D.	Eugene C. Pulliam
Allan P. Kirby	Sid W. Richardson
William H. Landers	Earl E. T. Smith
Frederick Lewisohn	Daniel E. Taylor
Richard M. Moss	Orville Taylor
Clint W. Murchison	Robert R. Young

Lila Bell Acheson Wallace

INCOME AND EXPENSE ITEMS	1954 *1st 6 Months*	*2nd 6 Months*	*Full Year*
Operating revenues	$355,647,385	$353,082,577	$708,729,962
Operating expenses	313,400,114	282,821,775	596,221,889
Taxes	27,516,321	28,363,824	55,880,146
Equipment and joint facility rents—net	11,764,222	11,828,744	23,592,966
Net railway operating income	2,966,727	30,068,235	33,034,962
Other income—net	13,898,668	9,579,281	23,477,949
Fixed charges	23,567,251	23,758,151	47,325,402
Net income	(6,701,856)D†	15,889,365	9,187,509
Operating ratio	88.12%	80.10%	84.12%
Return (net railway operating income) on depreciated investment	0.3%	1.4%	1.7%

†*Deficit*

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Profit Margins

The pre-tax profit in cents per dollar of sales is highest for corporations with assets over one hundred million dollars; it declines progressively with the smaller asset sizes. The smallest margin is reported for corporations whose assets are less than $250,000.

This trend towards lower profit margins is a factor with which investors will have to grapple. Where a high rate of sales expansion prevails, the lower profit margin can be transformed into higher profits per dollar of invested capital and per share of stock outstanding. Indeed the rapid growth in the sales of many companies has frequently concealed the declining profit margin. Where the growth is arrested and particularly where growth is replaced by sales decline, the effect on profit margins and on per share profits may be serious. A combination of declining sales and profit margins constitute a formidable force of adverse circumstances.

These general considerations, while sufficient for a student of the national economy, are insufficient for the investor. National averages represent a synthetic figure growing out of extremely high, extremely low, and many other profit margins in between. Fortunate indeed are the growing industries which have also high profit margins. The following list is not inclusive; it is however decidedly suggestive, suggestive in terms of the relationship between underlying economic forces, high corporate earnings and high stock market prices. Industries in this favored catagory include aluminum, business machines, chemistry, crude oil, chewing gum, nickel, molybdenum, sulphur, electrically resistant glass, newsprint, high purity celluose, cement and ethical drugs. At the other end of the scale are the low profit margin industries, and tragic indeed are those whose low profit margins are associated with sales decline. In this list are included metropolitan department stores, sugar refining, mail order, street railways, leather, woolen, variety chains and textiles.

A Few Figures on Profit Margins

Perhaps a few figures on high and low profit margin industries will be helpful. In the chemical group DuPont reports, (and these are 1953 figures) approximately 37% and Dow Chemical 33%; in business machines, International Business Machine, 36%; in crude oil, Amerada and Superior Oil report respectively 61% and 64%; the dominant Venezuela oil enterprise—Creole Petroleum—reports 57%. In chewing gum William Wrigley reports 27%. In cement Lehigh Portland and Lone Star report respectively 31% and 35% while Texas Gulf Sulphur in sulphur reports 54%. The percentages in all cases are in pre-tax profits per dollar of sales.

Contrast this now with some of the leading low profit margin industries. In department stores Macy reports 4.6%; Gimbels 5.6% and for the department store industry as a whole, which includes so many of the unsuccessful companies, the profit margin based upon the Harvard Department Store data is less than 3%. In textiles the successful Pepperell Manufacturing reports only 4.4%, Pacific Mills 6.1%, while Burlington, the leading factor in the rayon weaving and knitting industry, reports 9.4%, with a further drop in 1954 to 8.7%. In sugar refining the National Sugar reports 2.5% with an increase in 1954 to 3.8%, while the American Sugar Refining reports 5% (the 1954 figure is not yet available).

In variety chains the leader of the group F. W. Woolworth reports 8.3% with a drop to 7.8% in 1954 while one of the smaller though reasonably successful enterprises, Neisner Brothers, reports only 3.7%.

A complicating problem in the analysis of profit margin arises from the extremely low margin of some highly profitable industries. This is well illustrated by food chains. Here Great Atlantic and Pacific Tea operates with a margin of 2%, and Safeway Stores, and Jewel Tea with 3%. In this industry the rapid inventory turnover combines with the low profit margin to produce an adequate return upon invested capital. The same reasoning applies to meat packing. In this industry, however, profit margins are frequently affected by erratic fluctuations in the supply of hogs and cattle, and by the fluctuations in market prices between the live animals and the processed meats.

The Position of the Investor

The investor supplied with this background of high and low profit margin industries and companies is still insufficiently equipped to deal with all phases of the problems bearing on profit margins. For existing margins are reflected in current security prices. That is, the stock of a company with a given sales volume reporting a profit margin of 30% obviously sells at a higher price than the stock of another company—investment quality considered—reporting a margin 50% lower, and realizing the same sales. A pronounced change in the profit margin up or down is likely to increase or decrease corporate profits, thereby exerting either favorable or unfavorable effects upon security prices. It is therefore essential that the investor familiarize himself, insofar as possible, with those forces which are likely to produce significant changes in profit margins.

Significant fluctuations in profit margins in recent years are illustrative. The following comparisons are based on the pre-tax profit margin average for the 1950-1952 years, and the margin in 1953, (also in 1954 where the latter is available). In an era of declining profit margins, Bridgeport Brass increased its margin from 11% to 14.2%; and United States Pipe and Foundry from 15.7% to 20.2%. Smaller increases were reported by leading companies in the dairy industry—Borden and Beatrice Foods. Substantial declines in margins were recorded by companies in ethical drugs and rayon, (and over a longer period by the Air Reduction).

Despite the decline, the profit margins may remain relatively high. The reduction nevertheless from a high level to a lower, even though the latter is still on the high side, can lead to substantial investment losses. Air Reduction's profit margin for example has dropped from more than 20% to 15.7% in 1953 — a relatively high margin. In face of a substantial expansion in sales this impairment in profit margins has reduced company earnings. Prewar and war earnings were capitalized in 1946 at $60 a share. The same stock now sells at less than half this price. In the booming ethical drug field changes in profit margins in the face of expanding sales have also led to investment losses. The margin of one of the dominant enterprises, Merck, has fallen from 25.6% to 19.8%, and that of Abbott Laboratories from 26.3% to 23.7%. The stock of the former has declined from 40 in 1951 to its present level of about 26, and Abbott Laboratories from 65 in 1951 to the lower 40s. The reverse is illustrated by United States Pipe and Foundry; here the rise in the profit margin is partly responsible for the sharp rise in the price of this country's stock.

The investor must thus become a student of changing profit margins, of the causes which are likely to change such margins, and of the conditions under which the potential forces are likely to become active.

The following discussion of some of the major facets of profit margin changes is not all inclusive. Though they are only suggestive, they relate nevertheless to many significant aspects of this vital investment subject.

The Elements of Production Costs

The national economy in the war and postwar years has developed an unanticipated balance between inflation and deflation. There has been a substantial rise in the monetary supply, thus promoting inflationary forces. There have also been increases in plant capacity in growing industries, thereby promoting deflationary forces, within this pattern there has emerged another phenomenon, also unanticipated. In a business boom, interest rates contrary to experience, have declined. In the same period labor costs have advanced. They have advanced when commodity prices were increasing, and they have also advanced when commodity prices were declining. And, also contrary to experience, labor costs have moved ahead of commodity prices. Commodity prices instead of wages constitute a lagging factor.

The businessman therefore is confronted with an unprecedented problem. Labor costs are rising, capital costs are declining, while selling prices despite monetary inflation, are in many industries declining. These tendencies became more pronounced after the end in early 1951 of the short Korean war boom. To aid in the solution of this problem of selling goods or services at lower prices in the face of high labor costs and relatively declining selling prices, industry has mechanized. It has expanded its plant and increased its capital cost.

There are some industries that are uniquely suited to use more capital than others. Industries with high capital, and low labor costs, per unit of output are in a favorable position. This happy relationship is the result, not so much of managerial efficiency, as of the inherent nature of the industry itself. Industries with low labor costs compete on a more favorable cost basis with those with high labor costs. Since the cost of capital is low and the cost of labor is high, the low labor cost industries tend to operate at higher profit margins.

A suggestive list of such industries include natural gas production, crude oil, chemical, cement, aluminum, tin containers, corn processing (wet mill) and sulphur via the efficient Frasch process. Elaborating on the latter, labor costs in the Frasch process used in the United States approximates 35% of total costs; while in the volcanic type sulphur process used in Italy and Japan, they approximate 80%. This difference in labor costs helps also to explain the wide discrepancy in profits of natural gas extraction as compared with bituminous and anthracite coal. Many other contrasts can be drawn between the low labor, and the high labor costs industries.

High labor cost industries include coal, street railway, leather, and most of the service industries — department stores, variety chains and drug chains. Where a service industry can be partially mechanized, high labor costs are reduced and investment prospects improved. A good illustration is the replacement of the small, service grocery store with the self service partially mechanized food supermarket.

Another group of industries whose profit margins are favorable to the emergence of reasonable profits are those with a high percentage of power to total costs. The cost of power, usually electricity, has advanced only slightly. Up until 1950 indeed the price of electricity in face of a general rise in prices declined. An industry therefore whose power costs are a substantial percentage of its total cost, is again in a favored position. This group includes such industries as aluminum, cement and a substantial portion of the chemical industry.

A more important group are those whose profits are affected largely by raw material costs. Pricewise these products are among the most unstable in economy. They fluctuate in accordance with such uncontrollable factors as climate, character of the soil, the opening of new farm lands, changing political requirements and the absence or presence of adequate rainfall. Those industries which use much raw material in the production of a finished article, have many difficult problems. Included are such industries as meat packing, vegetable oils, cigarettes, oleomargarine, baking, dairy products, refined sugar, candy, textiles and non-integrated oil refineries. Profit margins here depend to an important degree upon the spread between raw material costs and selling prices of finished articles. A rise in raw material prices unaccompaniesd by proportionate rises in finished product prices, spells a profit decline to the fabricator. Similarly, an increase in finished product selling prices more rapid than an increase in raw material prices, or in face of an actual price decline, spells improving profits for the finished product industry.

The investor whose funds are committed to heavy raw material using industries must therefore become a student of the relative movement of commodity prices. Since the collapse of the Korean price boom some interesting variations upon this theme have developed. 1954 for example was featured by a stable price for crude oil and a decline in prices of refined oil products. Companies which bought all or a large part of their crude in the open market were the losers. Among leading companies such concerns as Atlantic Refining, and Standard Oil of Ohio showed up poorly.

In the same year cotton textiles were adversely affected. The margin between the relatively high cost of cotton and the declining price level of cotton yarn was partly responsible for a decline in textile earnings. In vegetable oils another adverse differential developed. The price of soybean and flaxseed due largely to government control, and in the face of price declines in soybean oil, soybean meal and linseed remained relatively high. The differential between the selling price of the oil and meal derived from one bushel of soybean and the cost of soybean declined from 23¢ in 1951 to about 7¢ in 1954. This decline of the differential is largely responsible for the inability of such stocks as Archer-Daniels-Midland, Spencer Kellogg and Chickasha Cotton Oil to participate in the 1950-1955 stock market advance.

Some of the industries affected by changing raw material costs have devised mechanisms to stabilize their profit margins. One group have introduced the constant dollar and cents spread. To the cost price of a raw material there is added a constant amount in cents or dollars. Thus, as raw material prices advance or decline, the raw material using industries add the same number of dollars or cents to their costs. This mechanism is used by food chains, packaged foods, and the corn processing industries. It is also used by the National Lead Co. Those who have adopted this device have to this extent assured themselves of reasonable profit margins.

In a number of other raw material using industries, government price regulation has turned out to be favorable to the investor; for example, the liquid milk industry. Price control here bears both upon the farmer and the milk distributor. The price paid to the farmer and the price paid by the consuming public are both legally determined. The resulting differential may not be high; it may be higher in a competitive market. This legally supervised differential is however stable; it is protected from the debilitating effects of competitive price cuts. This differential has introduced an element of stability, generally favorable to the promotion of seasoned investment values. A similar element of stability, though not to the same degree, has been introduced into the refined cane sugar industry.

In the raw material industries themselves, the price rise of the past 15 years has led to another source of investment value. In fact it amounts to a species of economic rent, a concept analyzed by 19th Century economists in terms of agricultural land values. Reserves of oil, natural gas, copper, nickel, asbestos, and other mineral and non-mineral ores acquired at one price level become more valuable in a period of steady price advances. There has emerged in recent years a school of economic thinking predicated upon the desirability of advancing price levels at the annual rate of 2 or 3%. A price policy based upon this hypothesis tend to increase the value of such reserves. They are normally discovered in quantities lasting many years. The capitalized cost of reserves are based upon one price level; their capital value increases with rising prices. Many companies in these industries have been reporting profit margins based upon the ownership of low cost reserves. As these reserves become exhausted, the cost of the new reserves increase; and on the basis of a given selling price, profit margins tend to decline. As prices rise in subsequent years, profit margins again tend to expand.

Other Aspects of Profit Margins

Other aspects of profit margins arising from reserves are associated with variable costs of extraction because of inherent geological differences. The cost of extracting oil, gas and copper for example varies between different countries and between different parts of the same country. It is reported that oil wells in the United States produce on the average from 11 to 13 barrels daily. In Venezuela the output approximates 200 barrels; in the Middle East, 5,200 barrels; in Saudi-Arabia, 6,000 barrels, and in Iraq some 10,000 barrels. And to take a corporate example, the cost of reserves to Amerada between 1951 and 1954 averaged about 45¢ per barrel, compared with a reported cost in 1950 of about $1.50 a barrel. Variation in costs of extraction abound. An extremely high profit margin thus accrues to those companies owning low cost reserves. A classical illustration is afforded by the pre-tax profit margins of Texas Gulf Sulphur which for many years have exceeded 50%.

Other significant features of satisfactory profit margins are found in the utilization of by-products, and in the upgrading of existing major products. Natural gas plants and oil refineries have

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succeeded in using by-product gases formerly wasted. Oil refineries in the process of upgrading straight-run gasoline are producing large amounts of hydrogen as a by-product. Refineries combine this low-cost hydrogen with nitrogen from the air, to make ammonia. And the demand for ammonia is growing rapidly. Other gases are converted into such valuable products as sulphur, ethelyne, and a large variety of other chemicals.

One of the companies in the field of catalysts, Filtrol, has converted products formerly wasted into ammonium sulphate—an important fertilizer — and into a number of other products. The company by this means has also saved a considerable sum formerly spent in eliminating these waste products and thus preventing the pollution of the water supply. Kraft pulp plants, to take another illustration, have converted waste products into tall oil—a product in steady demand at a reasonable price. Industries capable of utilizing by-products successfully have the opportunity of increasing their profit margins.

Along the same line, though in somewhat different form, are those industries and companies which are able to convert some of their products into a more finished form. Such products sell at higher prices and promote increases in profit margins. Many oil refineries for example have gone heavily into the chemical field. An illustration of the extent to which such a use of raw materials increases profit margins is afforded by Phillips Petroleum. It is reported that natural gas which sells at 10¢ per 1,000 cubic feet, when converted into a chemical end-product by a subsidiary, sells at 65¢ per 1,000. The cost of fabrication is relatively slight, since it is based so largely on capital costs. Thus, a large part of the price difference comes into the profit column and increases the profit margin.

One of the most vital aspects of cost reduction and widening profit margins is the rapid progress in technology. Technological improvement involves the use of more capital and less labor. The price of capital is declining while the price of labor is advancing. Unit costs, based on a volume not substantially less than that needed for full plant capacity, are thereby reduced. Profit margins, based upon a stable selling price, are increased. In fact in almost all cases, selling prices are reduced. Technological improvement is normally followed by cost reductions that are absorbed partly by rising wages, by declining prices and advancing profit margins. Selling prices may, however, because of excessive expansion in productive capacity, lead to sharp price declines. The benefits of technological improvement there pass entirely to the consumer and the wage earner — the investor gets nothing. Price cutting is still possible in this inflationary economy. The investor would be recreant to his responsibility if he overlooked this source of declining profit margins. In the face of the business boom of 1953 and the building construction boom of 1955, price softening has broken out in such industries as asphalt roofing, television receivers, methanol, margarine, penicillin, cortisone, oil refining, and hardboard. In some of these industries price cutting has reduced profit margins, profits, and stock market values. Heyden Chemical, Publicker, and Commercial Solvents in methanol, and Merck and Heyden Chemical in penicillin and cortisone are illustrations.

Price cutting in the more mature stages of an industry and in a booming national economy are relatively minor. Technological improvements give an industry an advantage over others. They also improve the prospects of a well managed company with adequate capital and credit over another in the same industry. To give illustrations in this field is almost gratuitous. The examples are infinite. They surround us. No general rule can be prescribed. Perhaps one might say that technological improvements continue until an irreducible minimum cost is obtained. Though this tendency may be clear and easily stated, it is relatively useless in judging of the effect of a particular improvement. It is like a human ideal. It may be approximated but never fully realized. The cost-reduction effects of technological improvements, such as the trend towards automation, cannot usually be isolated from the effects of other forces in terms of improving profit margins. This is probably true with most technological advancements.

Occasionally improved technology may be specific in character, and its effects may be directly measurable in improved profit margins. Such an example is afforded by the use of chemi-groundwood pulp available to some divisions of the paper industry. This pulp can be made from hardwood instead of the softwood conventionally used in the industry. This pulp substantially reduces the cost of producing some kinds of paper, particularly newsprint. The use of this pulp, in the face of rather unsatisfactory profits over the past two years, explains probably the high price-earnings ratio of Great Northern Paper.

The modernization in the biscuit and cracker industry, based largely around the use of the bandoven, is another illustration. The National Biscuit reports that it has modernized approximately 80% of its plant with a definite reduction in the amount of direct labor costs per dollar of sale. The profit margin of the National Biscuit has held up well in an industry where the profit margins for most companies in this industry have declined.

Specific data on cost reductions are also frequently available where a shift is made from batch to continuous processes.

The study of profit margins as an investment factor has thus many interesting and significant facets. The study takes one into fields covering national and international forces; economic, physical, geological, climatological, cultural, and technological factors are involved. It is to be sure a complicated business. There is no visible end to the road. It is as complicated as life itself and lasts longer than does human life. It is furthermore an analysis and observation of changing forces, dynamic in the extreme. The ebb and flow of profit-margin changes are interspersed with similar ebbs and flows arising out of the growth and decline of industries.

Two With Christopher Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Edwin W. Kimball and Robert E. Meyer have become affiliated with B. C. Christopher & Co., Board of Trade Building, members of the New York and Midwest Stock Exchanges.

STANDARD OIL COMPANY (INDIANA)

and Subsidiaries Report on:

Ten Years of Progress...1954 Operations and Earnings

THE YEAR 1954 rounded out a decade since Chairman Robert E. Wilson and President A. W. Peake were elected to the two principal management positions at Standard Oil.

Briefly, during that 10-year period:

Total assets	Increased 133%
Net worth, per books	Increased 99%

Comparing 1954 with 1945:

Net production, crude oil and natural gas liquids	Up 39%
Net production of natural gas	Up 321%
Pipeline runs, barrel miles	Up 88%
Refinery input	Up 81%
Sales in dollars	Up 169%
Net earnings	Up 133%
Dividends paid (in total value)	Up 186%

Capital expenditures amounted to $284 million in 1954, and will run over $200 million in 1955, bringing total expenditures for expansion and modernization since the end of the war to over $2 billion. About half of expenditures this year and next will be for production.

Substantial additions to Standard's proven net oil and gas reserves resulted in 1954 from significant discoveries on the Gulf Coast, and in West Texas and Wyoming. The company is also a major participant in the recently discovered Pembina field in Alberta, Canada, which appears to be the largest and most important yet discovered in that country.

The new 30,000 barrel-per-day refinery at Mandan, North Dakota, was completed and put on stream as scheduled. Two new Ultraformers were erected, and work started on three more. Ultraforming is a process invented by Standard Oil scientists to raise the octane number of straight-run gasoline. Notable refining improvements are being made at other locations. Plans have been completed by American Oil Company, a subsidiary, for a new refinery at Yorktown, Virginia, with a capacity of 35,000 barrels-per-day.

New products were introduced in 1954 as a result of our research. Additional research accomplishments last year will lead to further improvements in processes and products. During the year Standard Oil and its subsidiaries together filed the greatest number of patent applications in their history.

SALES IN 1954 totaled $1,621,000,000 compared with $1,665,000,000 in 1953. The decline in sales volume was more than accounted for by reduced sales of crude oil, heavy fuel oil and military aviation gasoline. A substantial pick-up in sales was noted at year-end.

NET EARNINGS FOR 1954 WERE $117,160,000. This was equal to $3.73 a share, based on the average number of issued shares, adjusted for a 100 per cent stock dividend distributed in December, 1954. The comparable earnings figure for 1953 was $4.06 a share. Standard's earnings in 1954 were adversely affected by a sharp cut in crude oil allowables, especially in Texas, and a generally weak products price structure.

DIVIDENDS IN 1954, after adjustment for the stock dividend, and including the market value on date of distribution of the dividend in capital stock of Standard Oil Company (New Jersey), were $2.083 a share. On a comparable basis, dividends paid in 1953 were equal to $1.932 a share. Dividends were paid in 1954 for the 61st consecutive year.

EMPLOYEES AT THE END OF 1954 numbered 51,270. Last fall about 26,300 employees held stock in the company. Our wages continued to be competitive within the industry, and among the highest of all manufacturing. At year-end, a careful study was being made of revisions to improve some of our benefit plans.

STOCKHOLDERS NUMBERED 122,100 at year-end. Beside the shares held by individuals and in joint accounts, our share owners last fall included 9,900 businesses and trusteeships and 900 institutions, such as churches, hospitals, and schools.

This record of progress reflects our improved ability to serve our customers and demonstrates the splendid support and cooperation of our employees.

CONSOLIDATED STATEMENT OF INCOME

for the Years 1954 and 1953

	1954	1953
Sales and operating revenues	$1,660,343,193	$1,709,510,619
Dividends, interest, and other income	16,195,654	19,893,235
Total income	$1,676,538,847	$1,729,403,854
DEDUCT:		
Materials used, salaries and wages, operating and general expenses other than those shown below	$1,347,519,754	$1,380,053,147
Depreciation, and amortization of emergency facilities	77,195,905	66,417,432
Depletion, amortization of drilling and development costs, and loss on retirements and abandonments	45,935,491	46,979,844
Federal taxes on income	29,471,000	53,055,000
Other taxes (exclusive of taxes amounting to $264,952,000 in 1954 and $254,523,000 in 1953 collected from customers for government agencies)	44,552,531	41,674,330
Interest expense	11,301,377	11,002,150
Minority stockholders' interest in net earnings of subsidiaries	3,406,021	5,395,554
Total deductions	$1,559,382,079	$1,604,577,457
Net earnings	$ 117,156,768	$ 124,826,397

Copies of the 1954 Annual Report are available on request as long as the supply lasts. Write Standard Oil Company, 910 S. Michigan Avenue, Chicago 80, Illinois.

THE STORY IN FIGURES

	1954	1953	1952
FINANCIAL:			
Total income	$1,677,000,000	$1,729,000,000	$1,617,000,000
Net earnings	117,160,000	124,830,000	119,980,000
*Net earnings per share	$3.73	$4.06	$3.91
†Dividends paid	$48,780,000	$46,620,000	$46,870,000
†Dividends paid per share	$2.083	$1.932	$2.010
Earnings retained in the business	$68,380,000	$78,210,000	$73,110,000
Capital expenditures	$284,300,000	$209,200,000	$204,300,000
Total assets, at the year end	$2,187,000,000	$2,036,000,000	$1,964,000,000
Net worth, at the year end	1,574,000,000	1,437,000,000	1,357,000,000
§Book value per share, at the year end	$48.48	$46.70	$44.17
PRODUCTION:			
Crude oil and natural gas liquids, barrels per day, net	249,600	268,100	265,800
Oil wells owned, net, at the year end	9,764	9,442	9,194
Gas wells owned, net, at the year end	1,763	1,522	1,307
MANUFACTURING:			
Crude oil and natural gas liquids processed, bbl/day	579,500	587,600	534,400
Crude running capacity, at year end, barrels per day	657,700	612,800	569,000
MARKETING:			
Total sales in dollars	$1,621,000,000	$1,665,000,000	$1,550,000,000
Sales of crude oil, barrels	113,200,000	132,300,000	138,000,000
Sales of natural gas, thousand cubic feet	393,400,000	367,500,000	315,800,000
Sales of petroleum products, barrels	217,200,000	224,700,000	211,700,000
Retail outlets served, at the year end	30,710	30,900	31,040
TRANSPORTATION:			
Pipelines built, miles	1,163	1,484	720
Pipelines owned, at year end, miles	17,550	17,540	16,740
Pipeline traffic, million barrel miles	140,500	142,500	138,900
Tanker and barge traffic, million barrel miles	81,290	101,100	97,850
PEOPLE:			
Stockholders, at the year end	122,100	117,800	117,600
Employees, at the year end	51,270	50,870	51,440

*Based on average issued shares each year, but after adjustment for the 100 per cent stock dividend in 1954.

†"Dividends paid" include the value *on this Company's books* of the Standard Oil Company (New Jersey) stock distributed as a dividend. "Dividends paid per share" (which have been adjusted for the stock dividend in 1954) include the *market* value of the Jersey stock on date of distribution.

§Adjusted for the 100 per cent stock dividend in 1954.

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Continued from first page

As We See It

seems to be devoid of ordinary justice, but inevitably places a heavy handicap on initiative and enterprise.

Unfortunate Resignation

The popular acceptance of this aspect of the matter would, however, probably be less surprising to our grandfathers who did not live through the turmoil of two world wars and a New Deal and Fair Deal Administration than the resignation with which the great rank and file submit to the inquisitory and expensive task of revealing practically all their private business and the eternal uncertainty as to whether the law has really been complied with or whether any mail may bring further inquiries and possibly penalties for some failure or some infraction of rules and instructions. The instructions recently issued to help tax payers to conform to the 1954 Federal Act certainly do not do much to make the path of the ordinary man or woman easier — and, we are certain, will not lighten the work or reduce the income of that vast horde of tax accountants and tax lawyers and just plain tax advisers (without training in either law or accounting, but with the advantage oftentimes of having "served time" with the tax collector's office).

As illustrations of some of this we may cite a few passages. The home owner who sells his home is advised that "special rules apply if (a) a part of your old or new residence (bought upon sale of the old) is used for rental or business purposes, (b) you sell within one year more than one property used as your principal residence, (c) the shares of the husband and wife in the old and new are not identical, (d) you acquired more than one residence at the same time, or (e) you acquired your new residence because your old residence was destroyed by a casualty (such as a fire) or condemned. * * * If you have decided to replace, but have not done so, or if you are undecided, you should enter 'None' in column (h) of Schedule D. When you do replace within the required period, you must advise the District Director, giving full details. When you decided not to replace, or the period has passed, you must file an amended return, if you previously filed a return. Since any additional tax due will bear interest from the due date of the original return until paid, it is advisable to file the amended return for the year of sale as promptly as possible."

Is it strange that the by-now befuddled taxpayer is advised to consult the Internal Revenue Service for advice on such matters—and hope, of course, that he will get the right answer!

But suppose the taxpayer is uncertain whether he is required to supply an estimate of his income during the current year. He is told that he must do so if: (a) his gross income can reasonably be expected to consist of wages subject to withholding and of not more than $100 from other sources and to exceed (1) $5,000 for a single individual who is not a head of household or surviving widow or widower or for a married individual not entitled to file a joint declaration; (2) $10,000 for a head of household or surviving widow or widower; (3) $5,000 for a married person entitled to file a joint declaration and the total income for both husband and wife can reasonably be expected to exceed $10,000; or (4) his gross income can reasonably be expected to include more than $100 from sources other than wages and to exceed the sum of $600 multiplied by the number of exemptions plus $400."

How Much Credit?

Or suppose the taxpayer is retired and seeks a retirement income credit. He is told that "the amount of the retirement income used for the credit computation may not exceed $1,200 reduced by: (a) any amount received and excluded from gross income as a pension or annuity under the Social Security Act and the Railroad Retirement Acts and by tax-exempt pensions or annuities. This reduction does not include that part of a pension or annuity which is excluded from gross income because it represents, in effect, a return of capital or tax-free proceeds of a like nature. Moreover, this reduction does not include amounts excluded from gross income which are received as compensation for injuries or sickness or under accident or health plans; and (b) in the case of any individual who is not 75 before the close of the taxable year, any amount of earned income in excess of $900 received in the taxable year."

Just one more quotation appears appropriate, and this one does not come from official "instructions" of the Federal authorities. It is a passage from those oft-quoted and generally accepted tenets of good taxation laid down by Adam Smith. Here it is:

"The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person. * * * The certainty of what each individual ought to pay is, in taxation, a matter of so great importance that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty."

The reader will understand that what has been said here is not intended as criticism of those who have undertaken the arduous task of explaining highly complex and difficult provisions of law to the uninitiated who must obey them. These public servants have doubtless done all that could be expected of them. What we call in question is the system itself.

Continued from page 6

Impact of Government Policies on Capital Outlays

of the American economy to grow rapidly in the future and to avoid prolonged depressions and runaway inflations. In the second place, there has been a great increase in the amount of research and development activity, a quickening pace of technological change, and an intensification of competition between products of different kinds as well as among those of the same kind. These two fundamental forces have caused an increasing number of business firms to carry out systematic long-range capital expenditure plans.

Businessmen are becoming increasingly aware of the great changes that have occurred in the United States economy during the past generation, changes which make the country less vulnerable to prolonged economic depressions. They have seen the beneficial influence upon their own markets of such factors as these: high and widely-distributed personal incomes and liquid savings; a flexible Federal revenue and expenditure system, which "cushions" changes in personal incomes; unemployment compensation; old-age pensions; deposit and home mortgage insurance; and farm price supports.

Above all, business executives now generally appreciate the force of the Employment Act of 1946, which makes it an obligation of the Federal Government to use all practicable means within its power to foster and promote, under free competitive enterprise, "maximum employment, production and purchasing power." No wonder that the horizons of capital planning of all but small enterprises have lengthened. As a result of confidence in the prospect of economic expansion, long-term investment plans tend to be carried out steadily, despite intermediate dips in the business curve.

The other basic cause of well-sustained capital expenditures by business is the fast pace of technological change in our country. This has been a consequence of the great expansion of research and development activities, in industry, in government, and in the universities. The total amount of money expended during 1953 on basic and applied research in the sciences, and in the design, development, and testing of prototypes and processes, was estimated by the Council of Economic Advisers at $4 billion. The figure may have risen close to $5 billion in 1954. About half of this gigantic sum was spent by government, largely in connection with national defense; most of the balance was expended by industry.

While it is generally known that research and development expenditures are increasing, the economic consequences of this increase are not so well understood. As research produces new scientific discoveries, and as science is applied to industry, new products are created, existing products are improved, and more efficient processes of production are developed requiring new equipment. Scientific research and development is, therefore, a great destroyer of the value of existing capital equipment, constantly eroding away apparent "excess capacity." By the same token, it is a great creator of demand for new capital goods. Not only does it tend to enlarge plant and equipment expenditures; it tends to stabilize them through time.

Suppose one firm in an industry cuts its costs by re-equipping and making use of a new process. It then is able to cut its prices and take sales away from its competitors. The other firms in that industry will now have to make large capital outlays, in order to take advantage of the new process and to protect their positions in the market. For example, if petroleum company A produces high octane gasoline from a new refinery to meet the demands of motorists, then petroleum companies B, C, and D are likely to spend hundreds of millions of dollars on new refining equipment simply as a defensive measure to meet this threat to their market positions. Technological change makes much capital spending by business compulsory, and not optional, in a very real sense. This process continues through good times and bad.

Can Plant and Equipment Outlays Be Sustained at a High Level?

It has been argued by some persons that business will not continue to spend money on plant and equipment at the current level, and that expenditures will fall off and be a drag on the economy for a number of years. These persons reason as follows: During World War II huge expenditures were made on manufacturing facilities by the Defense Plant Corporation as well as by private enterprises. These outlays were followed, not long after, by further extraordinary plant and equipment expenditures under the stimulus of military contracts for the Korean conflict and the subsequent defense build-up. Unusual stimulation was also given by the five-year write-off permitted under the tax laws of new facilities deemed essential for the national defense. Now that these extraordinary sources of demand for capital equipment have waned, and these unusual stimuli to their production have diminished, several years will be needed by the economy to absorb or "grow up" to the current surplusage of capital facilities. Hence, the current level of capital spending is not sustainable. So runs the argument.

Although one cannot deny the presence during the past decade of extraordinary stimuli to sales of capital goods, the conclusion that demand will fall off, from this point on, does not necessarily follow. Indeed, the facts appear to warrant the opposite conclusion. The current rate of capital spending is not only sustainable but is capable of considerable increase, if public policies favor rapid economic growth and vigorous technological development.

Studies by the Machinery Institute reach the conclusion that since 1940 there has been an increase of about 110% in the nation's stock of machinery and equipment, of about 20% in the amount of plant, and of about 50% in the two categories of capital investment combined. These are "real" and not dollar increments. The rates of utilization of the nation's stock of plant and equipment, according to these studies, was well above normal during the war period. Large postwar investments by business have served merely to restore normal rates of utilization, and to make good the long period of under-investment during the depressed 30s. Currently the national stock of plant and equipment is expanding at a little more than 3% a year, a rate well in line with the normal growth of aggregate national production. Moreover, retirements of industrial equipment from service recently have been unusually low, because of the comparative "freshness" of much of the stock. During the years ahead, normal retirements may be expected to increase. This is an excellent augury for a rising demand for capital goods.

The prospect for financing a rising volume of expenditures on capital goods appears favorable. Depreciation allowances are now increasing by more than 3% a year. Generous depreciation allowances are available under the 1954 Tax Revision Act. The current financial position of business is, in general, excellent. Credit is readily available. The rise in stock prices has made equity money once more available on a reasonable basis to many businesses, as the announced $300 million stock issue by General Motors Corporation illustrates.

One may conclude that basic economic forces are favorable to a sustained and rising level of caiptal expenditure by business. There is no large postwar "surplus" of productive capacity to be "absorbed" before progress may be resumed. But we should not permit our thinking to be bound by historical relationships. The dominant factor in the future demand for capital goods will be the vigor of our economy and the climate of private investment. These are matters of public policy that lie within our own control.

Public Policies to Promote a High and Steady Rate of Capital Spending by Business

Our analysis points plainly to the kinds of economic policies by which government can help bring about a high and sustained rate of plant and equipment expenditure by business. It indicates that the broad objects of such policies must be: in the first place, to foster an attitude of confidence among businessmen and other people in an economic future that is expansionary and free from paralyzing depressions or inflations; in the second place, to accelerate the rate of technological development and industrial innovation.

The first objective—to extend the horizons of business planning by cultivating an attitude of confidence in the economic future—obviously covers a multitude of possible measures. Rather than try to describe them all, we may recall the basic tenets upon which

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an economic policy for growth and stability of the American economy should be based. I am unable to formulate these tenets more simply and effectively than they have been stated in the January, 1955, "Economic Report" of the President.

"The role of the Federal Government in the achievement of [our] goals is to create an atmosphere favorable to economic activity by encouraging private initiative, curbing monopolistic tendencies, avoiding encroachment on the private sector of the economy, and carrying out as much of its own work as is practicable through private enterprise. It should take its full part at the side of State and local governments in providing appropriate public facilities. It should restrain tendencies toward recession or inflation. It should widen opportunities for less fortunate citizens, and help individuals to cope with the hazards of unemployment, illness, old age, and blighted neighborhoods."

The legislative and administrative acts of government should aim to extend the application of these tenets in future years, continuing the progress that has been made in the recent past.

The second objective of public policy is to accelerate the rate of technological progress and industrial innovation. Actions are required on several fronts:

First, to augment the number of young people who have scientific, engineering, managerial and technical skill.

Second, to encourage creative thinking and invention, mainly by appropriate patent and tax laws.

Third, to induce business firms and non-profit organizations to support expanding programs of basic scientific research.

Fourth, to enlarge the range and depth of Federal research and development programs in fields that cannot be covered adequately by private efforts.

Fifth, to hasten the industrial application of new methods and ideas by encouraging the replacement of old plant and equipment, and by fostering risk-taking investment in a competitive environment.

Let us glance briefly down each of these avenues of policy to see where we now stand and what specific problems confront us.

We must augment the number of young people who have scientific, engineering, managerial and technical skill. A shortage of young men and women trained in these fields now exists. Unless it is relieved, it may limit the growth of research activity and retard its industrial application. Congress has been asked this year to expand the fellowship, research, and teacher-training program of the National Science Foundation. But the problem needs to be tackled farther back in our educational system—at the high school and even the grade school level. Technological progress cannot be expected unless our human resources are developed for these tasks.

Creative thinking and invention can be encouraged by making sure that our patent system gives rapid and effective protection to the inventor, and that our tax system does not so heavily burden his income as to dull his incentive to creative effort. The number of nonprocessed applications for patents in the Patent Office is approaching 200,000, and it now takes about three and one-half years to process an application. It may be wise for Congress to provide the Patent Office with the funds necessary to reduce both the backlog and the processing time. Consideration should also be given to modernizing the system of classifying patents in the light of contemporary science. So far as personal taxes are concerned, we must hope for economic growth and a quieter world of reduced military expenditure, making possible a reduction of present tax burdens.

The Federal Government has already taken important steps to encourage research and development activities by business firms and non-profit organizations. The tax laws now offer strong encouragement to wealthy persons to transfer their property to nonprofit foundations which can and should support basic scientific inquiries. Last year the tax laws were revised to permit businesses to treat all outlays for research as current expenses. With a current corporate tax rate of 52%, this means that the Federal Government, in effect, makes a major contribution to the research and development program of a profitable business. The new Atomic Energy Act authorizes the Atomic Energy Commission to license the use of nuclear material in privately-owned reactors, and it broadens substantially patent protection for private investors in the atomic energy field. The door to competitive enterprise in the industrial use of atomic energy has been opened.

The Federal Government itself plans to spend more money on scientific research and development during the coming fiscal year than at any time in the past in fields not adequately covered by private efforts. The Budget Message for the fiscal year 1956 puts these outlays at $2,218 million—a 7% increase over those made during the current fiscal year—despite an over-all reduction in governmental expenditures. Nevertheless, there are fields of research activity which may well deserve greater Federal attention, such as the basic physics and geology of petroleum and mineral deposits, water and air pollution control, and the development of solar and tidal power.

The industrial application of new methods and ideas has been hastened by recent structural revisions of our tax laws, and by other measures to invigorate enterprise. Depreciation allowances were liberalized; the period over which business losses could be carried back for tax purposes was lengthened; the ploughing-back of earnings for expansion was facilitated; a limited tax credit on dividends received by shareholders was granted. Yet there are additional steps along the same path that may well deserve consideration at the proper time in the future. They include revisions in the taxation of capital gains, a privilege of rapid write-off of a limited amount of new property each year, and a further extension of the period for which losses may be carried back.

Conclusion

Once we recognize clearly that the main source of improvement in our economic welfare is the size and excellence of the stock of tools and equipment which we put into the hands of our workers, there is no doubt that we shall give priority to public policies calculated to promote a sustained high rate of capital expenditures by business. Our recent progress along this route is highly encouraging. It affords ground for the belief that the pre-eminence of the American economy — an economy of free men and free institutions — will be extended and enlarged in future years.

GROWTH IN 1954:

Union Electric reports to 53,000 stockholders, 6,700 employes, more than 600,000 customers

STRONG GAINS IN 1954—Once again Union Electric showed an increase in net earnings over the previous year—$19,279,000 for 1954 as compared with $16,194,000 for 1953. This provided, after payment of preferred dividends, earnings for common stockholders of $1.65 per share in 1954 as compared with $1.35 in 1953.

Union Electric's operating revenues in 1954 totaled more than $114,000,000—an increase of more than $11,000,000 over 1953. With the sale of electricity exceeding 7,000,000,000 kilowatt hours—an increase of 4 per cent over 1953—electric revenues accounted for nearly $108,000,000 of total revenues.

COMMERCIAL AND RESIDENTIAL USE UP—The year brought a rapid expansion in sales to residential and small commercial customers—residential sales increasing 173,000,000 kilowatt hours, or 14 per cent, and small commercial sales increasing 66,000,000 kilowatt hours, or 9 per cent.

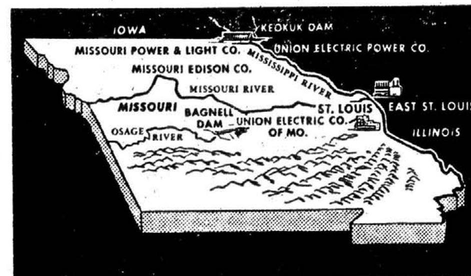
Following the general decline in industrial activity throughout the nation, sales to large commercial and industrial customers decreased 142,000,000 kilowatt hours, or 4 per cent. However, sales to these customers showed increases in both November and December of 1954 over those months of the preceding year.

NEW CUSTOMERS—In addition to the 13,400 electric customers gained with the acquisition of Missouri Edison Company on February 1, 1954, 12,100 new customers were added to System lines during the year. Nearly all of these new customers are owners of new homes with a large number of electrical appliances. The trend in residential use of electricity shows a strong upward surge (our residential customers used, on the average, 2,566 kilowatt hours in 1954 as compared with 2,337 in 1953—the largest single year increase in our history). New residential customers should continue to be an important source of revenue.

STRONG EQUITY POSITION—The Company's capital ratios continue to be conservative. Common stock equity exceeds 35 per cent of total capitalization. As a result of the North American Plan, the common stock equity of Union Electric was increased during 1953 and 1954 by approximately $40,000,000. This new capital will permit the financing of the System's construction program during the next few years with bonds and preferred stock and without the dilution of common stock earnings.

DIVIDENDS INCREASED—As a result of the Company's strong financial position and its improved earnings, the Board of Directors voted on January 10, 1955, to increase the common stock dividend to an annual rate of $1.40 from the previous rate of $1.20 per share, beginning with the dividend payable on March 31, 1955.

LOOKING FORWARD—*The general improvement in economic conditions and the industrial, commercial and residential expansion taking place in our service area may be expected to produce a substantial increase in our business during the years to come.*



UNION ELECTRIC COMPANY OF MISSOURI

Subsidiaries: *Union Electric Power Company • Missouri Power & Light Company • Missouri Edison Company Union Colliery Company • Poplar Ridge Coal Company • St. Louis & Belleville Electric Railway Company*

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Public Utility Securities

By OWEN ELY

Philadelphia Electric Company

Philadelphia Electric Company serves electricity to 1,052,000 customers and gas to 196,000. It also supplies power for the electrified lines of the Pennsylvania Railroad, the Reading Company, and the Philadelphia transit system. The area served with electricity has a population of some 3,500,000 and covers 2,340 square miles in southeastern Pennsylvania and northern Maryland. Gas service is furnished in the suburban area and urban communities outside of Philadelphia; the suburban counties are experiencing a greater growth than most other areas in the nation. Steam-heating is distributed to customers in central Philadelphia.

The Philadelphia area is served by excellent transportation facilities: three trunkline railroads—the Pennsylvania, the Reading, and the Baltimore & Ohio; and a highway system improved by addition of the Pennsylvania and New Jersey Turnpikes, with several new bridges and expressways in the planning or construction stage. The International Airport has been modernized by completion of a new terminal building and addition of new runways and service facilities, so that it now ranks among the best in the world. Access to world and coastal trade is furnished by the second largest port in the nation, with excellent facilities for handling oil, grain, coal, ores, etc.; Philadelphia has now become the largest port in the nation in terms of tonnage imported.

The influx of population and industry into the suburban and rural counties outside of Philadelphia has created a new "growth" situation. During the decade ended 1950, this area had a population gain of 27%, which exceeds that of 80% of the counties in the nation. An additional 41% growth by 1960 is forecast. During the last five years, some 70% of the 104,000 new houses in the entire service area were built in the suburban counties. Since many of these houses are more fully equipped for electric living, the average residential use in the suburbs increased to 3,408 kilowatt-hours in 1954, compared with the overall company average of 2,431 and the national average of 2,528 kilowatt-hours.

The City of Philadelphia itself is undergoing a broad redevelopment. With the demolition of the historic Broad Street Station, the "Chinese Wall" formed by the Pennsylvania Railroad right-of-way has also been removed, opening the way for the "Penn Center" development. This includes a new hotel, a new transportation center and several new office buildings now under construction or contract. Redevelopment of blighted areas is transforming large areas of Philadelphia into healthy, pleasant neighborhoods with attractive homes, parks and playgrounds.

Since 1929, when electric service in the area was consolidated in the present company, output has grown steadily until it is now four times that of 25 years ago. This growth has generally kept pace with the FRB index of Industrial Production for the United States, but without the wide fluctuations experienced by that index. Upon completion of the $76,000,000 construction program for 1955, the company's utility plant will be more than double that of 1945. Some 52% of the present generating capacity has been installed in the postwar years 1947 to 1954.

To finance the continuing construction program through, 1959, an estimated $106 million of additional funds will be required from the sale of new securities. However, since the common stock equity was increased to 39% by last year's stock financing, no new issues of common stock are contemplated for at least five years, other than relatively small offerings to employees.

The electric load supplied to large commercial and industrial customers is highly diversified. While nine of the largest customers, including two railroads, have annual bills of more than a million dollars, none of the industrial customers accounts for more than 1.5% of total electric revenues, and the largest railroad customer accounts for 3.5%.

During the last five years residential sales of electricity increased 62% and the overall rate of gain was 26%, while gas sales increased 84%. This rate of growth is expected to continue over the next five years, with a 29% increase in total electric sales and 39% increase in total gas sales.

Since 1945 earnings per share have increased nearly 50% and the annual dividend rate has also increased one-half from $1.20 to $1.80. Earnings per share were $2.25 in 1954 compared with $2.36 in 1953. This decrease was due to two factors—the cost of hurricane "Hazel" last October, of nearly $2 million, equivalent to about 8c per share after taxes; and the diluting effect of issuing 878,878 additional shares of common stock in June last year. President Rincliffe, in a recent talk before the New York Society of Security Analysts, estimated 1955 share earnings at $2.30, or slightly better than last year. At the recent price around 38, the stock yields about 4.75%—almost the industry average—and sells at less than 17 times 1954 earnings.

Bird Company Formed

HOUSTON, Tex. — Bird Company, Inc. has been formed with offices in the Melrose Building to engage in the securities business. Branch offices will be maintained in the Adolphus Tower, Dallas, and in the Milam Building, San Antonio.

Equitable International

Equitable International Corp. has been formed with offices at 90 Broad Street, New York City, to engage in a securities business. E. H. Koehler is a principal of the firm.

With Investors Planning

PITTSBURGH, Pa.—William H. Beattie, George G. Brown, George H. Erdner, and Paul J. Kelly have joined the staff of Investors Planning Corporation of Pennsylvania, 417 Grant Street.

Joins A. G. Edwards Sons

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Patricia M. Kendall has joined the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Continued from first page

Uranium Resources For Industrial Power

into uranium production than into all other activities in the atomic energy field. Much of this capital is for projects with a productive life which will extend well into the atomic power era.

Uranium is, and may continue to be, the principal source material for the production of nuclear energy—whether for weapons or power. Thorium, which can be converted into fissionable U-233, may become a competitor. When, and to what extent, that competition may be important, still is a matter of conjecture. Today, however, plans for nuclear weapons and for the development of nuclear power for industrial purposes depend primarily upon the use of uranium. The demand for uranium for the defense program has greatly imcreased production, ore reserves, and our knowledge of potential resources. Only three or four years ago, there were fears that the military program might be restricted by shortage of uranium. Now, uranium rapidly is becoming just another strategic material and we can look forward to adequate supplies to meet foreseeable military and industrial requirements. You have the evidence in the reactor programs approved by the Commission and, more recently, in the nuclear power program announced by the British. These power developments are being undertaken while there still is an expanding military program.

The expansion of uranium production forms an interesting chapter in the history of mining. Prior to 1942, there was little interest in uranium. Partial operation of the Shinkolobwe Mine in the Belgian Congo could supply all that was needed for production of radium. Suddenly, in 1942, uranium became one of the most important materials for the war. Yet, during the next six years, 1942 to 1948, not one new source of this strategic material was brought into production. The need for secrecy limited exploration to undercover investigations by the Manhattan Engineer District. These investigations, however, did develop useful information, particularly that relating to the uranium content of the South African gold ores and of our domestic phosphate and shale deposits—information which has proved important to our present program.

It is just seven years since the Commission's uranium program got under way. Seven years ago, the Belgian Congo was almost our sole supplier. Canada had relatively small production. The United States had practically none. South Africa, Portugal and Australia were only possibilities.

Value of $100 Million of Uranium Annually

Today, private uranium activities in the United States have a value of about $100,000,000 per year. In the past two years, private financing totaling $70,000,000 has been arranged for three Canadian uranium projects alone. In addition, there are the extensive Canadian Government operations and many private exploration and development projects. Construction of South African uranium mills began in 1951, with first production in 1952. The investment in South African uranium mills is now approaching $150,000,000 and upon completion of the present program will be about $180,000,000. During this period large expenditures have been made in the Congo for mine development and additional milling facilities. Uranium activities in Australia and Portugal are on a smaller scale, but there are possibilities for major expansion.

These dollar figures not only give a measure of mine and mill expansion, but also an indication of how uranium production has increased and will continue to increase as projects now under construction are completed.

The uranium industry, as compared with other important branches of the mining industry, has had but a few years to develop experience, technology and the basic data for long-range planning. That we have come as far in so short a time is due to the tremendous importance of uranium to the defense program and to the efforts put forth to meet the requirements of that program. Not only are the requirements of defense being met, but on the basis of exploration which as yet has covered only a limited part of the world, we can point to uranium resources which should be able to supply the nuclear fuel requirements for a long-range expanding power program.

Ore processing technology also has developed rapidly and methods are now available for extracting uranium from very low-grade sources at costs which may not be prohibitive for the nuclear power industry of the future.

The Cost of Uranium

For the purpose of this discussion I shall arbitrarily regard the cost of uranium in a high grade concentrate as moderate if it is less than $12 a pound. Production in this cost range undoubtedly would be able to supply the power industry for many years. Looking farther into the future, probably well beyond 1980, uranium resources can be greatly expanded by considering a cost range between $12 and $30 a pound. This I shall call an intermediate cost. If in the more distant future, a cost between $30 and $50 a pound might be considered, vast low-grade deposits would become sources of production. This high cost is discussed because we have reached a point when consideration must be given to the natural resources for future generations. There have been many reports predicting early exhaustion of metals and fossil fuels. We appear to be in a better position in regard to nuclear fuels.

This classification has no relation to our present procurement program. It is based upon the assumption that a cost as high as $12 per pound is in the range reactor engineers today are using in estimating power costs from early reactors. However, the price for uranium will be determined by supply and demand. In a competitive market, much of the uranium in the moderate cost category might be sold profitably at less than $10 a pound. With advancing technology there should be more efficient utilization of uranium and a higher recovery of the potential energy. This may increase the fuel value and permit the use of higher cost uranium without adding to the cost of power but it would reduce requirements. However, either higher "burn-up" or "breeding" may involve increased power production costs so that a less efficient use of uranium may be more economical as long as we have cheap uranium. The immediate problem, of course, is to get atomic power competitive with the cost of power from conventional fuels. This calls for further technological advances and operating experience.

With this background, I shall briefly outline present views as to known uranium resources, indicating the general order of magnitude in the three cost categories.

The Colorado Plateau

In the United States, most of the uranium is coming from the Colorado Plateau. New production is being developed in Wyoming, North and South Dakota and other western states. Recent discoveries in Texas also may prove important. With few exceptions, these deposits are found in flat-lying sedimentary beds. The uranium content generally ranges from 0.1% to 0.5% U_3O_8 and many of the deposits are small. Early in the present program the bulk of our production came from deposits containing only a few thousand tons. A 10 or 20 thousand-ton ore body was considered large. During the last three years numbers of deposits have been found which contain in excess of 100,000 tons and at least one contains several million tons. Probably 80% of our present known ore reserves are in deposits larger than 50,000 tons. These are deposits that can supply uranium at moderate cost.

In spite of the great improvement in ore supply, which has made the United States one of the leading uranium producers, most of the deposits now developed may be mined out in less than 10 years. However, if exploration continues as actively as at present, after 10 years of full production developed ore reserves may be even greater than today.

There are vast areas throughout our western states that may contain uranium deposits similar to those being mined—but the problem is to find them. Deposits exposed on the surface will be found by surface and airborne surveys using Geiger and scintillation counters which are now standard equipment for every prospector. At present, the buried deposits can be found only by drilling. Although geology is playing an increasingly important role in the selection of favorable areas for drilling we still have no magic tools with which to locate these deposits from the surface.

Today, we can forecast with some confidence only the production we expect during the next five to 10 years. Unfortunately, proven reserves may always be limited to a few years of production. However, on the basis of geological probability, hundreds of thousands of tons of uranium in millions of tons of ore remain to be discovered in the sedimentary deposits of our western states. The rate of discovery will be determined by the market for uranium and the cost and problems of exploration.

Private Exploration Has Become Active

Private exploration is now active in all parts of the country where some evidence of uranium has been found. New discoveries are adding uranium reserves faster than they are being mined. This activity will continue, however, only as long as there is a market for the production. At present, there is only a government market. The questions being asked by the uranium miner are: How long will the government market continue; when will there be a commercial market; and what will be the size of the market? The government market is guaranteed through March 31, 1962, and beyond that it still could be a factor until the commercial market can sustain a production rate of some importance.

In addition to deposits now being mined, our domestic phosphate and shale deposits constitute a large low-grade uranium reserve. Reserves of commercial phosphate rock in Florida and our western states are placed at five billion tons. The uranium content is estimated at 600,000 tons, an average of about one quarter of a pound per ton. The reserves

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would be greatly increased by including low-grade phosphatic material not presently considered commercial. Tennessee and adjoining states have about 85 billion tons of shale averaging slightly more than one-tenth of a pound uranium per ton. This represents a reserve of five to six million tons of uranium.

At one stage in our program there was a possibility that large-scale phosphate and shale operations might have to be undertaken to reach full uranium requirements for defense. With the discovery and development of more economic sources, this no longer is the case. Large-scale uranium production from low-grade phosphate and shale appeared to present difficult technical problems and to involve a heavy demand for critical supplies and materials. However, investigations carried out have developed economic processes for recovering by-product uranium from commercial phosphate operations and indicate efficient methods for extracting uranium from shale. The processes developed also have been applied to the extraction of uranium from conventional ores.

By-Product Uranium

By-product uranium is now being recovered at moderate cost from some large wet process phosphate fertilizer and chemical operations. With additional operating experience and technical improvements, uranium by-product recovery may become standard practice at all wet process phosphate plants. These are plants in which the solution of phosphorus is one of the steps in the production of the phosphate products. The United States produces annually about 10 million tons of phosphate rock having a uranium content of approximately 1,500 tons. Only a portion of this production now is treated in wet process plants which could recover by-product uranium. However, the tonnage treated is increasing because of the growing market for phosphate fertilizers and chemicals and the trend toward wet process methods.

Process studies on recovery of uranium from shale are being continued, not only as defense insurance, but to determine within reasonable economic limits the potential value of this large uranium reserve as a future source of nuclear fuel. Until recently, it appeared that uranium from shale would cost in excess of $50 a pound. However, our work now indicates that the cost should be well below $50, possibly nearer $30 a pound. There is some possibility of recovering valuable by-products which could further reduce production costs.

Before leaving uraniferous phosphates and shales, it should be noted that large deposits are found elsewhere in the world. The Scandinavian Peninsula and the Baltic territory of Russia contain shale deposits at least equal in extent and grade to our own. The phosphate deposits of Morocco, estimated at about 20 billion tons, are uranium-bearing. Undoubtedly, there are uraniferous shale and phosphate deposits in other parts of the world. Uranium-bearing coal and lignite also have been found in a number of areas.

Although Canada has been a uranium producer about 20 years, the important deposits from the standpoint of future production are those discovered or developed during the last few years. These are the deposits around Lake Athabaska, Saskatchewan, and in the Blind River District, Ontario. Development is too recent for full appraisal of future potentialities. However, the deposits are extensive and should be able to sustain production for many years. In other parts of Canada, large low-grade uranium deposits are being explored. On the basis of present information and geological evidence, it is a reasonable assumption that Canada has several hundred thousand tons of uranium in the moderate cost class. It also should be borne in mind that private uranium exploration in Canada has been active only about five years and the undiscovered resources may be much larger than those now being developed.

Production in the Congo and South Africa

The Belgian Congo and South Africa are leading uranium producers. Australia, Portugal and France are also producing countries with important potential resources. South African reserves, in particular, can safely be estimated in large figures because of the extent and uniformity of the deposits.

Considering only moderate cost uranium, the resources of these five countries should be well in excess of five hundred thousand tons. Additional reserves of greater tonnage would be available at intermediate and high cost.

Uranium is known to occur in Mexico and many South American countries, but there has been little exploration and practically no development. Undoubtedly, important deposits will be found but at present we have no basis for evaluating the potential resources. This statement is also true for many other parts of the world where there has been little or no search for uranium.

In summary, areas of the Free World now in production or under development have uranium resources in the moderate cost category that may be between one and two million tons. Considering the limited amount of exploration there are possibilities of much greater tonnage. Certainly, the economic reserves would be greatly increased if a uranium cost up to $30 a pound could be considered. If the permissible cost is increased to $50 a pound, vast low-grade deposits, such as shale and phosphate deposits, would become sources of production. Available resources could then be measured in terms of many millions of tons of uranium.

This measure of uranium resources does not provide the measure of potential production rates. Many of the larger reserves will require decades to mine irrespective of demand and price incentives. However, known resources, and those which can be predicted with reasonable confidence, should assure a production rate sufficient to meet the requirements of an expanding nuclear power program. Considering also the rate of new discoveries, the vast areas yet to be explored, and the technological advances being made, annual uranium requirements would probably be 30 thousand tons, or more, before intermediate cost resources would need be considered.

This general discussion may serve to give the power industry a broad outline of the uranium resources which may be available for nuclear fuel. I would like to emphasize again, that the uranium mining industry is interested in learning more about the potential requirements of nuclear fuel for industrial power. Public discussions of the plans and outlook for nuclear development should include not only reactor technology and probable costs per kilowatt hour, but also the fuel requirements. The mining industry must begin planning for a future commercial uranium market.

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(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Gage C. Frick has become associated with H. O. Peet & Co., 23 West 10th Street, members of the New York and Midwest Stock Exchanges.

A. E. Weltner Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Richard D. Edwards has been added to the staff of A. E. Weltner & Co., Inc., 21 West 10th Street.

Joins William R. Staats

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John R. Moore has become associated with William R. Staats & Co., 111 Sutter Street. Mr. Moore was formerly with Stewart, Eubanks, Meyerson & York.

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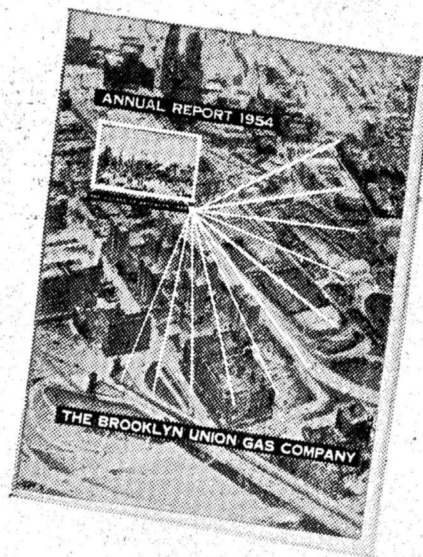

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STATEMENT OF GROWTH

	1954	1953
Net income	$4,649,677	$3,738,288
Earnings per common share based on 1,863,410 shares now outstanding	2.50	2.01
Dividends paid per share	1.60	1.50

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A Defense of Federal Reserve Policy

which would achieve what we sought to achieve. Specifically, it is said that it was obvious at the beginning of 1953 that there was going to be a substantial decline in defense spending later in the year which, unless offset by an increase in private spending, would seriously and adversely affect the whole economic situation and that, therefore, a restrictive credit policy in early 1953 was untimely.

Now there may have been some knowledge and, as I recall, there was some guessing in the latter part of 1952 that the peak level of defense spending would be reached sometime around the middle of 1953. But later official statements and budget forecasts or projections moved the peak of defense expenditures out beyond 1953. The budget which was prepared by the outgoing administration, and sent to Congress early in January, 1953, called for a further increase in government expenditures, and indicated a budgetary deficit of $10 billion and a cash deficit of $6.6 billion, during the fiscal year 1954, the largest such deficits since World War II. Even though some economies were begun in early 1953, and even though greater economies were achieved than was then estimated, actual defense expenditures continued to increase through the second quarter of 1953 and, even in the fourth quarter of that year, were only slightly less than in the first quarter. There was no clear and definite projection of defense expenditures which might have guided monetary policy along another path than the one it took.

It is probably not necessary to argue, however, what could be seen in the crystal ball, in early 1953, so far as future defense expenditures were concerned. The prospects for a truce in Korea improved as the spring advanced, and it became reasonably certain that, in the absence of major fighting elsewhere, the longer run level of defense spending would be below the high levels of the first half of 1953. But the likelihood of a decline in defense spending by the government, at some future time, was not a good reason for abandoning credit restraint in early 1953. Rather it counseled against letting unrestrained private spending compete with defense spending under the conditions then prevailing. If business inventories and consumer credit had been encouraged to expand without restraint at the same time that defense expenditures were rising to a peak, and private capital formation was proceeding at record levels, the dangers of the prospective decline in defense spending would have been increased. The economy could have gotten way off balance, and really reacted dangerously when defense spending did decline. This was a threat which a policy of credit restraint in early 1953 helped to banish.

That policy may not have been perfect in its timing and its execution, and it was not popular. A policy of credit restraint seldom is popular, and unpopularity breeds misinterpretation and attack. I have mentioned the assertion or claim of our critics that the economic situation in the spring of 1953 was close to ideal, in terms of production, employment, and prices, and that our unnecessary intervention was the result of an inbred fear of inflation. I suppose we central bankers are partially responsible for this sort of opinion. We have long been distrustful of our own ability to help check a decline in economic activity, once underway, and have frequently argued that monetary policy could be most useful in checking the excesses of the later stages of a boom, thus helping to prevent or diminish the agonies of the "morning after." This may be twisted into an inflation complex. Is it not clear, however, that our underlying concern, in such circumstances, is actually with deflation, not inflation? We fear deflation more than inflation, just as do most people who are aware of the human aspects of economic forces, and the human suffering which is involved in both of these deviations from economic well being. If, at times, we apply measures of restraint to a bubbling economic situation, it is because that is one of the reasons for our being—to try, during periods of high prosperity, to help prevent the excesses which will bring such periods to a destructive end.

A Sound and Healthy Concern About Inflation

I might even go beyond that position, and say that there is another reason, in our present state of economic development, for a body which has a sound and healthy concern about inflation. That is the strong pull in the other direction, which gains power from a host of politicians and large groups of our population, and which does not lack economists and pseudo-economists to bring it intellectual support. The Employment Act of 1946 is now the main guide of public economic policy. The danger is that this call for government action to promote maximum—not full—employment, production, and purchasing power will be interpreted to mean that monetary policy should embrace creeping inflation, so as to create conditions which are said to be necessary to the promotion of "full employment," no matter what happens to the purchasing power of the dollar.

Recently, before a Congressional committee, I said that those who would seek to promote "full employment" by creeping inflation, induced by credit policy, are trying to correct structural maladjustments, which are inevitable in a highly dynamic economy, by debasing the savings of the people. If their advocacy of this course is motivated by concern for the "little fellow," they should explain to the holders of savings bonds, savings deposits, building and loan shares, life insurance policies and pension rights, just how and why a rise in prices of, say, 3% a year is a small price to pay for achieving "full employment." They should also explain to all of us—little, big, and just plain ordinary Americans — what becomes of our whole system of long-term contracts, on which so much of our economic activity depends, if it is to be accepted in advance that repayment of long-term debt will surely be in badly depreciated coin.

No, I say it is necessary and wise that the monetary authorities not accept the questionable dictum that high level employment and price stability are necessarily incompatible. It is probably true that *full* employment, in the sense of there always being "more jobs than men" may not be possible without creeping inflation. Such a condition implies sellers' markets, not only for labor but also for raw materials and finished goods. It implies a situation in which efficiency incentives are reduced and there is weak resistance to increased costs, since such increases can usually be passed on in higher selling prices. These conditions are not likely to be conducive to maximum economic progress. Laxity of effort and speculative sprees develop in such an atmosphere and lead to distortions and instability, rather than to sustained accomplishment. But a condition of high employment, high efficiency, high production and stable values seems to me to be a feasible and desirable objective.

Such an objective suggests that we need to give more attention than we have done to the division of the rewards of increased productivity. In recent years, loud shouting has made it seem as if the only question was whether "big labor" or "big business" was to reap the lion's share. It is clear, I think, that we are going to have to get along with "big labor" and "big business." One is the product of the other, and both have had a part in the tremendous increase in our productivity as a nation. It is a cliche, a truth worn bare by constant repetition, that our American system of production has brought greater material well being to more people than any other economic system yet devised. But that system may not maintain its place indefinitely, if there is persistent inequity in the distribution of its rewards. If owners and managers or organized labor, or both of these groups, take unto themselves too large a share of the rewards of increased productivity, the economy may eventually be retarded. One danger is that, if all the gains of increased productivity go to raise profits and wages in the particular industries in which the increase occurs, a wave may be set in motion which will spread to all industries, including many where there has been no gain in productivity. That throws the economy out of kilter, and is one of the sources of the demand for continuous "gentle inflation."

There is the even greater danger that the consumer, the fellow on whom we all depend to keep our economy going, will be squeezed or forgotten by the power blocs. He needs to be considered, along with the more privileged groups, because he is all of us. He should get his share of the dividends of increased production and improved methods, in the form of lower real prices. If he doesn't get his share, the end result, despite his capacity for long suffering, is likely to be political action to restrain "bigness" in industry and in labor. And such action may be blundering and punitive. The tendency toward an absence of price competition in large segments of our economy, suggests that we need to review a good deal of our thinking regarding the competitive free enterprise system whose benefits we all enjoy.

This is a concern of monetary policy, because lower real prices, in an economy of increasing productivity such as ours, are a function of stability of the dollar. And stability of the dollar, along with maximum production and employment, is a primary objective of monetary policy. We need the best fusion of these objectives which we can get. Then if, from time to time, our dynamic growing economy throws so many people out of work as to be socially intolerable, we should seek further means resting on the whole economy to take care of the situation. But we should not debauch monetary policy trying to make it do the whole job, by way of creeping inflation. We shouldn't steal the savings of the people with one hand, while we promise them steady work and a comfortable old age with the other.

The Change in Monetary Policy in 1953

Now to return from that partial digression. When we come to the change in monetary policy in May-June, 1953, from restraint to ease, and later to "active ease," we come into a period when monetary policy could bask in the approval of almost everyone. It was said that we were prompt in action and vigorous in execution and, as a result, we have been given some credit for the mildness of the recession which began in the third quarter of 1953 and which has now been largely corrected. Modestly, or as modestly as we can, we accept this praise while, at the same time, we carefully point out that monetary policy, as always, was only one factor in a complex situation, and while we privately admit that luck was on our side, too. We need to avoid being asked to carry burdens which we cannot bear, and we need a little luck if we are successfully to carry the burdens which we should bear.

In any event, we were doing the popular thing when we created and maintained easy money during the last half of 1953 and all of 1954. We even surprised ourselves a little, because monetary policy was not so helpless as a good deal of theory had suggested in checking recession and providing a positive stimulus to recovery.

As was stated in the recent annual report of the Federal Reserve Bank of New York for 1954, the buildup of business inventories of 1952 and the first half of 1953, gave way to inventory liquidation in the latter part of 1953 and most of 1954, and the end of the war in Korea in July, 1953, was followed by cutbacks in defense expenditures. Industrial production and employment declined, and demand for raw materials and finished goods, both domestic and imported, decreased. In this situation, the principal objective of economic policy was to prevent the unavoidable corrective adjustments from feeding on themselves and cumulating until recession became depression, and to give encouragement to the forces of recovery. Prompt response to the evidence of slackening output did not require extreme intervention by government, however, since the natural forces of recovery within the private economy were strong. The role of monetary policy, along with fiscal policy, was one of softening the impact of the adjustments which were taking place, and exerting an overall influence which would encourage the flow of resources, manpower, and credit into areas where the potentiality for expansion was real.

A recovery so induced was likely to be more lasting than one too heavily dependent on artificial stimulants, such as more direct government intervention. The easy money policy of the Federal Reserve System made its contribution to recovery by relieving pressures for forced liquidation, facilitating an orderly readjustment of surplus stocks, and in general making sure that ample funds were available for both short-term credit and long-term capital needs.

The principal burden of sustaining this policy was borne by open market operations, the name given to purchases and sales of government securities by the Federal Reserve Banks, which put reserve funds into the banking system or take them out as the needs of the economy seem to require. Throughout this period, we exerted pressure on the banking system to find outlets for excess funds, by maintaining a substantial volume of free reserves, that is, excess reserves less borrowings from the Federal Reserve Banks, in the hands of member banks. As a consequence, total bank credit expanded more rapidly than in any year since World War II, despite some repayment of business borrowings as a result of inventory liquidation and the end of "tax borrowing" with the expiration of the excess profits tax. Other types of loans increased, and there was a large increase in bank investments, which either financed public and private expenditures directly or provided funds for investment by others.

There was, of course, considerable interplay between open market operations, a mid-1954 reduction in reserve requirements, and discount rates. The discount rate was reduced twice, from 2 to 1¾% in February, 1954, and from 1¾ to 1½% in April. The discount mechanism, however, was largely put out of commission by the general policy of maintaining a considerable aggregate of "free reserves" in the banking system at all times. Relatively few banks found it necessary to borrow from the Reserve Banks, and then only for short periods for temporary reserve adjustment purposes. Reserves were obtained more cheaply and in more permanent form by the reduction in reserve requirements and through System open market operations. Under these conditions the discount rate became primarily a symbol of the direction of System policy, and a pivot for certain other short-term money market rates, not a main determinant of credit conditions.

To sum up, and again drawing on the recent annual report of the Federal Reserve Bank of New York, flexible credit policy was employed in 1954 to provide an abundant supply of cash and credit to the economy and, in coordination with other instruments of economic policy, to help halt and then reverse the recession which had gotten under way in mid-1953. The recession was halted and reversed and, by the end of 1954, recovery was well under way. The available statistics indicate that this recovery was based, in considerable measure, on extensive recourse to credit, but that is not to claim, of course, that easy money, by itself, brought about the recovery. The underlying soundness and strength of the economy was the necessary and vital ingredient.

F. R. Credit Policy Contributed Toward Economic Stability

Looking at both 1953 and 1954, I believe it is fair and reasonable to conclude, on the basis of the evidence, that credit policy was effective and contributed positively to economic stability and long-term growth, both when it restrained the excessive use of credit and encouraged postponement of some capital projects prior to mid-1953, and when it eased conditions in the credit and capital markets in the last half of 1953 and in 1954.

All of this is economic history which will quickly become ancient, however, and probably much of it is as well known to you as to me. All I have tried to do is to bring into clearer focus a few main elements of the picture as I have seen it develop, in the hope that it would be of some interest to you, not only as an aid to understanding the past but also as a guide to the future. As bankers, businessmen, and even as economists, I am sure that you find guessing what the future may hold a more fascinating and, at times, a more profitable form of mental exercise than dissecting the past.

Unfortunately, perhaps, that brings us into a time period in which I can be less positive, less cock-sure, and certainly less authoritative than when talking about what is past. And I have to warn you, at once, that nothing I now say can be taken as an exact statement of present System views or policies, nor as a forecast of what System views or policies may be in the future. I shall be giving you my views and opin-

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ions, which may or may not be shared by my associates in the System. The System is not a monolithic organization—we have disagreements without purges. Fortunately there has most often been a clear consensus as to what policy should be, even when we have disagreed sharply as to operating techniques.

Perhaps the best way to go about this excursion into the future is to start from a known point. The policy record of the Federal Open Market Committee, recently published in the Annual Report of the Board of Governors for 1954, confirms a shift in monetary policy which took place in December, 1954. Whereas during the previous year we had been conducting open market operations with a view, among other things, to promoting growth and stability in the economy by actively maintaining a condition of ease in the money market, we then decided to take the "active" out of ease.

This shift in the degree of credit ease to be maintained seemed to be in accord with the economic developments of the last quarter of 1954 and the near term prospects for 1955. With the recovery movement pretty firmly established, although by no means complete, it seemed appropriate and desirable to take out of the banking system the surplus funds which had been used to keep up the pressure on banks to loan and invest. As demand for credit grows, with reviving business, the existing money supply will be used more actively — its velocity will increase — and the need for pressure to bring it into use will decline. Nevertheless, this shift in policy has been challenged, and again the criticism has been made that our fears of inflation—which seems to be narrowly defined by these critics in terms of the movement of prices—have led us into actions which may jeopardize the present business recovery. So far, I think you will all agree, the recovery shows little or no sign of being "jeopardized." It is a pretty vigorous affair. But if it does not come up to the mark of the builders of statistical models of what a fine world this could be, I am sure we shall be blamed.

Mopping Up of Excess Banking Funds

What has been done, primarily, was to mop up an overhang of excess funds in the banking system which needed to be removed, so that the relation between business expansion and credit expansion would be better observed and better coordinated as the recovery progressed. This was "taking up the slack." It cleared the way for observation, analysis and interpretation of those broad general trends in the economy which, I think, can give a lead to credit policy in a recovery period.

What are some of these trends? First, there is the character of the business recovery. Is it widespread or heavily concentrated in a few industries or areas, balanced or distorted? Is it so rapid as to make it unlikely that its pace can be sustained, thus raising the question of another setback? Is it so slow that, even if continued, it will leave us with the problem of a labor force which is growing more rapidly than the increase in jobs?

Second, there is the appearance or non-appearance of speculative tendencies in business plans, in consumer buying, and in public or mass reactions to the sweet music of recovery. How are prices behaving; are there sharp advances in basic commodity prices which seem out of line with increases in production and consumption? Is there evidence of inventory accumulation beyond the needs of a prompt delivery economy? Is the economy on a prompt delivery basis or are bottlenecks appearing? Is there an absence of resistance to higher costs, on the assumption that they can readily be passed on to the consumer? Do business plans for capital expenditures seem to be in reasonable relation to longer term growth? Does the consumer seem to be showing signs of going on a spending spree, stimulated by increasing injections of instalment credit? Is the construction industry wearing out the effects of very liberal mortgage terms, originally abetted by a monetary policy dedicated to easy money? Is the stock market getting into the taxicab, the elevator, the barber shop and the front pages of the newspapers, instead of staying where it belongs as a necessary adjunct of our financial and investment machinery?

Last but not least in this brief catalogue, there is the rate of growth and use of credit, and of the money supply. Does available bank credit appear to be insufficient to nourish a vigorous recovery? Does it appear to be readily available to facilitate sustainable economic growth? Does it look as if it might be in excess supply, encouraging a speculative spirit or, to change the metaphor, sowing seeds of inflation which could lead to another economic downturn?

Obviously these are very general criteria. But they are the kind of criteria which, along with the masses of statistics that underlie them, and all the general information which defies statistical compilation, we have to try to interpret and digest in reaching judgments as to monetary policy. There are no specific criteria which can guide the policies of the Federal Reserve System at all times. There are no clear and definite trigger points which will tell you exactly when to shoot and when to hold your fire. We must rely on general criteria and use many guides to judgment and action, and you will have to do the same guessing what our actions may be and judging them after the fact.

A Look Into the Future

It may be possible to indicate some of the things which might conceivably come about in the monetary sphere, however, if economic recovery continues along a healthy course, and if there are no international developments to upset, seriously, our domestic tranquility. I do not treat the latter hazard lightly. It is the over-riding question of our time, no matter how small the sector of the landscape we are surveying. But I do not have the means of assessing the possibilities and probabilities of war.

If war is to be avoided and if economic recovery continues, these things might occur. There should be some revival of discount operations at the Federal Reserve Banks. The discount window was largely put out of commission during the period when reserve funds were being pushed on the banking system by a combination of open market operations and reductions in reserve requirements. Individual banks in adjusting their reserve positions, and the whole banking system in meeting seasonal or other less than permanent needs for reserves, may now become more dependent upon borrowing at the Reserve Banks. This will be healthy and useful. The volume and persistence of such borrowing could give some indication as to whether credit policy is geared to a generally healthy recovery, or is too restrictive and thus checking recovery, or too liberal and thus endangering the longevity of recovery by promoting speculative uses of credit. If the signal seems to be that credit policy is becoming too restrictive, relief can be given quickly by open market purchases of government securities. If the signal seems to be that credit policy is becoming too liberal, open market sales would have the reverse effect.

Second, in such a period of recovery, and with even the mild shift in credit policy which has taken place, it would be expected that some rise in interest rates would occur. In fact, as you know, there has already been a rise in interest rates, proportionately greater at short term than at long term, but extending out through the whole range of debt maturities. Commercial banks, which were active purchasers of marketable securities at short, and then at longer term, during the period of very easy money, find their resources adequate to meet actual or prospective increasing demands for loans, but not so large as to press continuously for investment outlets. A moderate firming of interest rates during a period of economic recovery is to be expected and can be constructive rather than a damaging influence.

The movement of interest rates during recovery will have to be watched more closely, however, than in the preceding period of recession, when nearly all of the emphasis was on the availability of reserves and when what happened to interest rates was of relatively little concern to the monetary authorities. Interest rates have now become one indicator of the degree of credit ease or tightness which is being maintained by monetary policy. A rise in interest rates which went too far too fast could be damaging, particularly in the capital markets where a continued flow of funds into capital expenditures is desirable.

Third, changes in the discount rates of the Federal Reserve Banks might be made more frequently in such a period, as the discount window of the Banks again became busy, and as interest rates become more sensitive indicators of market pressures. In such circumstances, the discount rate could assume the role of an anchor for the whole structure of interest rates. And eventually it might lose some of its ponderous significance as a symbol, while it gained in power as a ready weapon of monetary policy.

I do not know quite what to say about the money supply, because it has suffered at the hands of those who have mechanistic ideas about monetary policy. Certainly the money supply—usually defined as currency outstanding plus adjusted demand deposits—will bear watching, but it is difficult to establish it as a gauge of monetary policy in a period of business recovery. Private demands for credit are expected to grow, in such a period, at a more rapid pace than would result solely from seasonal or secular influences. But this might or might not be reflected in a comparable increase in the money supply. During some of the stages of recovery, the economy may not need an increase in the money supply, because of more effective use of the supply already in existence. Over the recovery period as a whole, however, there should be an increase in the money supply. But I don't think you can be precise about the amount or the percentage of increase. You can't rely on the money supply figures automatically to tell you what to do and when to do it.

Central Banking Is an Art—Not a Science

As you can see from this hasty summary of some of the general criteria of monetary policy, and of some of the things which might happen as a result of a monetary policy geared to economic recovery, we central bankers are practicioners of an art, not a science. In practicing that art we can never lose sight of the broad purpose of our being—to help to maintain those conditions in the economy which will promote high levels of production, employment, and consumption, and stability of the purchasing power of the dollar. This demands flexibility. It demands restraint upon the use of credit when the economy begins to stretch at the seams, and credit is being called into use to support too many speculative positions, as well as the production, distribution and consumption of goods and the provision of needed services. It demands encouragement of the use of credit, when our productive resources of men and machines are not being utilized as fully as they should be. It demands that actions be taken with a view to accommodating the needs of the whole economy, in the public interest, and not the needs of special groups or interests, whether they be economic groups or political interests.

That is a large order. I cannot claim that we have either the technical means or the ability to fill it to the satisfaction of everyone, including ourselves. We need all of the advice and counsel we can get, from bankers and economists meeting in groups such as this, from farm groups, labor organizations and business groups, and from those who occupy places of responsibility in the apparatus of government. In return we have a right to ask that the advice we are given be as objective as possible, that criticism be as constructive as possible, and that our integrity and our honor not be impugned in the process. We are not the vassals nor the pawns of any vested interest. We have taken a binding oath to serve the interests of all of the people of the United States to the best of our ability. We have no other purpose.

Sees Need for Rise in Federal Debt Limit

Bankers Trust Company, in reviewing government securities and interest rates in 1954 and the outlook for 1955, foresees possibility of large long-term Treasury offering. Commends Treasury policy, and says tighter credit conditions can be expected.

The necessity for an increase in the statutory debt limit after June 30 is cited in the annual review "United States Government Securities and Interest Rates" issued by the Bond Department of Bankers Trust Company. The review also points out that large new money borrowings by the Treasury are expected in the second half of the year.

Low Ceiling Hampers Flexibility

The review notes that "the debt ceiling was raised to $281 billion in August 1954, but under present law reverts to $275 billion at the end of June 1955." The Treasury may be operating close to a balance on a cash basis in the calendar year 1955, but tax receipts bulk heavily in the first 6 months. This concentration of financing requirements after mid-year indicates the necessity for an increase in the statutory debt limit. "Any increase should be adequate not only to permit the Treasury to cover its new borrowings but also to obtain that freedom of choice in its debt operations which is a prerequisite if debt management is to be responsive to the changing needs of our economy."

Credit Policy Commended

The Treasury in 1954 has managed the debt in accord with Federal Reserve credit policy, the review indicates. The results were to accentuate the effects of economic forces upon interest rates, while avoiding both excessive expansion and spiralling credit contraction. "The good record of credit control in the 1953-54 business cycle supports the prospect that the authorities will continue to demonstrate alacrity and judgment in facing changes in the economic environment."

Tighter Credit Conditions Expected

"Large demands for investment funds, together with the higher bank loans in prospect, suggest that economic pressures are working toward tighter credit conditions," according to Bankers Trust Company. However, "the Federal Reserve authorities may be expected to exert their efforts to keep any tightening of credit gradual and orderly." If credit measures are to continue to contribute toward greater economic stability, it is essential that they be permitted to take hold without violent fluctuation in the market place.

The review notes that were the Treasury to offer long-term securities for cash, the repercussions upon the bond and money markets would probably be more extensive than in the case of an exchange offering, such as the recent 40-year 3% bonds. The successful outcome of the recent exchange operation, in which $1.9 billion of bonds were issued, does not indicate the existence of substantial demands for a long-term Treasury offering for cash. "Many savings institutions undoubtedly welcomed the opportunity to acquire securities with a yield assured by the absence of any early call date, in contrast to most private debt, but at the same time they sold government securities of shorter maturities, so that their total holdings have probably not changed very much."

Prerequisites for a Long-Term Offering

Issuance of a long-term Treasury bond would tend to moderate investment spending; the likelihood of such an offering being made will depend upon the course of investment activity and of business. Consequently, the Bank says, even though demands from net buyers of government bonds are likely to be to sparse to provide significant support to new long-term Treasury financing in the immediate future, the Treasury may attempt to attract some investment funds into long-term government bonds later in 1955.

Presumably the Treasury could do so without upsetting the market, according to the review, "provided credit policy is closely coordinated with debt management, the offering is moderate in size, and the troublesome problems of avoiding 'free riding' and assuring sound allocation of subscriptions are met. A further prerequisite would be that the market does not regard the offering as the beginning of aggressive and ambitious competition with private investment demands."

Scarcity of Short-Term Securities

"For the most part, however," the Bank concludes, "the Treasury may be expected to pursue its debt management objectives by way of the persistent but cautious approach it has followed since the latter half of 1953, which consists mainly of lengthening the debt at the option of the holder of maturing obligations, and which in time has produced significant results. In fact, the policy of reducing short-term debt has already been carried out to such an extent that the market at times shows signs of lacking an adequate volume of such securities to meet the liquidity requirements of commercial banks, corporations and other investors."

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Finally, if peace were really to "break out" at some point in these two years, defense expenditures would fall sharply, with marked deflationary effects on the economy in the short run.

Some readers will also note that our estimates suggest that total employment in 1955-1956 will lag behind the expected growth in the civilian labor force. While the indications certainly do not suggest a serious unemployment problem, they do indicate a slow edging upward in unemployment. If physical productivity were to advance more rapidly than 2.5% and weekly hours were to move above 40, the immediate effect would be more unemployment in these two years than we have predicted. Thus, if the rate of unemployment were significantly to exceed 5% of the civilian labor force, we would move into the zone of an under-employment economy, and the implementation of counter-cyclical policies would be in order.

The accompanying table presents the predicted value of various economic variables of the economy for calendar 1955 and 1956, as well as the actual values for 1954. A detailed analysis of the bases for these conclusions is undertaken in subsequent sections.

II. The Demand for National Product

Analysis of the aggregate demand for national product requires estimates of the amounts of product that will be absorbed through (1) federal, state, and local government purchases of goods and services; (2) gross private domestic investment; (3) net foreign investment; and (4) personal consumption expenditures.

For purposes of short run forecasting, it is convenient to use a simplified economic model that considers consumer demand to be the only endogenous demand variable, with the remaining demand components considered as exogenous. This implies that consumer demand is dependent upon income and thus upon general business conditions, while the other components of demand are not. However, we have made additional checks on the values assigned to some of the elements of gross private domestic investment, to see whether they are mutually consistent with the solution values of other endogenous variables. This implies that these elements themselves are really endogenous. Further, we have used "intentions" survey information for estimating certain types of investment. In this respect one may consider such investment endogenous to the degree that it rests upon an expected change in national product which roughly compares with that predicted by the model itself.

In what follows we shall discuss our estimates for the exogenous demand variables, after which we shall show how our estimates for the endogenous variables were derived from the equations of our gross national product model.

Government Purchases of Goods and Services

About 20% of total demand for national output in the American economy consists of purchases of goods and services by federal, state, and local governments. Among the principal items of government demand are supplies and equipment, construction projects of various types, and employee services. At the federal level, the dominant part of government purchases is for purposes of national security (equipment and maintenance of the armed services, atomic energy production). At the state and local level, construction projects dominate (highways, schools, public buildings).

For purposes of forecasting, government purchases are considered exogenous. They are determined by political and sociological processes and only in a limited way are they influenced by the level of or changes in the total volume of economic activity. Accordingly, we have considered them as an independent component of total demand rather than as a variable determined by the level of economic activity.

Unfortunately, it is very difficult to estimate government demand for a future period. Most projected expenditures of governments are prepared on a fiscal rather than on a calendar year basis, requiring arbitrary redistribution for purposes of calendar year estimates. In addition, the administrative budgets through which expenditures are planned are not set up on a basis that permits easy determination of actual purchases of goods and services, as distinguished from receipts and outlays involving taxes and transfer payments. Finally, the forecaster must confront special hazards of uncertainty. Congress and the legislatures do not usually enact proposals for expenditure in the form in which executive bodies submit them. Often, too, the legislative bodies enact proposals of their own. Thus projections in the government category are inherently difficult to make and necessarily somewhat arbitrary in their magnitudes.

Federal purchases consist of two main categories: national security and "other." For calendar 1955 and 1956, we have entered national security at $40.0 billion. This figure was recently suggested by Defense Secretary Wilson as "rock bottom" so long as the cold war lasts. It compares with a seasonally adjusted annual rate of $40.6 billion in the final quarter of 1954, and assumes that the lengthy contraction in security outlays is now over.

"Other" federal purchases were down to a $5.7 billion annual rate in the fourth quarter of last year, as compared with $6.8 billion for 1954 as a whole, and $8.5 billion for 1953. For calendar 1955, we have assumed, first, that there will be no further contraction from the fourth quarter 1954 rate, and second, that pending proposals for increased collateral federal outlays for highways and schools, will not be translated into actual purchases during 1955 by reason of legislative delays and required lead time for planning. For calendar 1956 we estimate "other" federal purchases at $7.3 billion. We believe the projected increase of $1.6 billion over 1955 is conservative, given that the federal share of the proposed highway program alone would be $3 billion annually for a full decade, which is well above the current rate for federal highway grants.

We have projected state and local purchases at $29.5 billion in calendar 1955, up $2.0 billion over 1954. This was the rate of increase (annual equivalent) in the fourth quarter of 1954 relative to the same quarter of 1953. It slightly exceeds the sustained rate of increase throughout the postwar years. For calendar 1956, we estimate the total at $31.7 billion, up $2.2 billion from 1955. This makes small additional allowance for the eventual impacts of the proposed programs for highways and schools. It appears conservative, for the state and local share of the highway program alone would run at $7 billion annually for a decade, making a sizable net increase in current highway construction outlays.

When all these estimates are summated, we have a total of $75.2 billion and $79.0 billion for calendar 1955 and 1956, respectively. These figures may be compared to the figure of $77.5 billion for total government purchases of goods and services for calendar 1954.

Gross Private Domestic Investment and Net Foreign Investment

This component of total demand has absorbed about 14% of national output in recent years. It consists of investment in housing, plant and equipment and other private construction, and in inventories.

In a strict sense, the principal constituents of gross private domestic investment should not be considered exogenous. Unfortunately, the determinants of the inducement to invest are difficult to evaluate for purposes of short run forecasting. Consequently, it seems advisable to treat them as exogenous initially and then to test their assigned values relative to the predicted values of endogenous variables, for mutual consistency. This, of course, can only be accomplished in a general way, but we feel that this methodology will lead to the probable rejection of implausible values for these economic variables.

The largest component of this category of total demand, namely, nonfarm producers' plant and equipment, amounted to $30.6 billion in 1954. About two-thirds of these outlays were for equipment, and the remainder for construction. The recent McGraw-Hill Survey of business firms as to their investment programs for the future, indicates that they expect to spend approximately 5% less on plant and equipment in 1955 than they did in 1954. Expenditures in 1956 were expected to be at least as high as those for 1955. However, in the last quarter of 1954, such expenditures were running at an annual rate of $30.1 billion. Moreover, planned outlays for the first quarter of 1955 are only about 2% below the last quarter of 1954. In view of the fairly strong rise in economic activity during the first two months of 1955, we believe these expenditures are apt to be well maintained. Accordingly, nonfarm producers' plant and equipment expenditures are estimated to amount to about $30.0 billion in 1955 and approximately the same sum for 1956. This would appear to be a conservative figure. For if national product rises in the two years according to our forecast, there may well be a further strengthening of the inducement to invest. We make no allowance for such additional induced investment except insofar as the planned outlays of business firms are premised on a rise in national product, since these expenditures are formally treated as an exogenous variable.

Farm equipment and construction expenditures amounted to $3.6 billion in 1954 and were running at a corresponding annual rate as of the last quarter of the year. This last quarter figure showed some improvement over the third quarter. Although farm income will probably be somewhat lower in 1955 than in 1954, long run technical progress is apt to call for cost saving innovations, and these may even be speeded up by the downward pressure on farm net income. On this basis we expect farm equipment and construction to hold at a level of $3.6 billion for both 1955 and 1956.

The next type of private investment is that for residential nonfarm construction. Surveys of the U. S. Bureau of Labor Statistics and the U. S. Department of Commerce indicate that expenditure of this type should run about 13% higher in 1955 than in 1954. Using the $13.4 billion result for 1954, this yields $15.1 billion for 1955 and 1956. At the present rate of housing starts, if continued through the remainder of the year, our estimate is low for 1955. However, it is probably on the conservative side. For 1956 the matter is not quite so clear. No one knows whether the present housing boom will continue or not. We are assuming that it will.

The remaining construction category is Other Private Construction, which relates to private nonprofit organizations such as hospitals and charitable bodies. Investment in this category is small, running at $2.1 billion in 1954, and at an annual rate of $2.2 billion in the fourth quarter. We have assigned values of $2.2 billion for 1955 and 1956 in our total estimates.

In some ways the last item of gross private domestic investment is the most difficult of all to predict. This is the net change in business inventories. The volatility of the inventory item is, of course, notorious. As is well known, this variable turned negative after the September peak in 1953, when total inventories in manufacturing and in retail and wholesale trade aggregated $82 billion. Since that date disinvestment of private inventories has been marked and continuous. For calendar 1954, net disinvestment was —$3.6 billion. However, in the final quarter of 1954 the seasonally adjusted annual rate for inventory change fell to —$1.5 billion, which indicates that inventory liquidation is approaching an end.

With the relatively recent revision of inventory statistical series, observations over time are insufficient to determine possible relationships between inventories and sales at various stages of the production and distribution process. Thus it is difficult to develop a norm by which the current inventory situation could be evaluated. The available evidence suggests that substantial inventory disinvestment is now past. If, as we expect, gross national product will increase in 1955 and 1956, it is likely that some positive net investment in inventories will be called for. We believe an estimate of $0.5 billion to be conservative for 1955; our estimate for 1956 is $1.0 billion. However, we wish to emphasize that the timing of inventory changes is dependent on a number of circumstances that are extremely difficult to evaluate currently.

Taking all these components of gross private domestic investment together, we estimate investment will be $51.4 billion and $51.9 billion in 1955 and 1956, respectively, which compares with $46.1 for 1954. Thus it would seem that despite a slight expected decrease in investment for producers' plant and equipment, gross domestic investment will nonetheless rise. This increase will be due to the predicted increase in outlays for residential construction and the expected positive inventory investment.

Any attempt to estimate gross private investment for 1955 and 1956 raises the question of the sustainability of the pattern we have laid out for those two years. This is especially true for 1956. There are two ways in which estimates of this type might be checked. One would be to consider the relation of the components of gross private domestic investment, especially private plant and equipment expenditures, to corporate profits after taxes or to gross business product. An alternative would be to consider the relation between the gross capital stock and national output. Rather superficial consideration of the former suggests that the figures for 1955 are not out of the range of likely possibilities. Unfortunately, lack of time and of adequate data precluded an exhaustive analysis.

There remains the item of net foreign investment. For recent years values in this category have been relatively small and have been running consistently negative. The current European recovery may well indicate increased exports from the United States to these countries. There is thus the possibility that the figure might become positive. We have assigned a value of 0.0 for each of the two years under consideration, more or less arbitrarily.

Personal Consumption Expenditures

Consumer demand is considered an explicitly endogenous demand variable in our forecasting model. To estimate personal consumption expenditures, we employed two structural relations: First, a disposable personal income function fitted by the method of least squares to data on disposable personal income, on the one hand, and gross national product on the other, for the period 1929-1954 in current prices. Second, we employed a consumption function prepared by the U. S. Department of Commerce. This function was also fitted by the least squares method and links personal consumption expenditures, on the one hand, and disposable personal income on the other, for selected prosperous years of the 1920's, 1930's, and 1940, in current prices.[1] A relatively superficial study of

TABLE I

National Product and Employment, 1954-1956

	1954	1955	1956
I. Demand for national product (in billions of 1954 dollars):			
1. Govt. purchases of goods and services	$77.5	$75.2	$79.0
Federal	50.1	45.7	47.3
National security	43.6	40.0	40.0
Other	6.8	5.7	7.3
State and local	27.5	29.5	31.7
2. Gross private domestic investment	46.1	51.4	51.9
Producers' plant and equip. (nonfarm)	30.6	30.0	30.0
Farm equipment and construction	3.6	3.6	3.6
Residential construction (nonfarm)	13.4	15.1	15.1
Other private construction	2.1	2.2	2.2
Net change in business inventories	—3.6	0.5	1.0
3. Net foreign investment	—0.6	0.0	0.0
4. Personal consumption expenditures	234.0	238.7	245.7
Personal saving	19.6	17.2	17.8
Disposable personal income	253.6	255.9	263.5
5. Gross national product (1+2+3+4)	$357.1	$366.6	$377.9
II. Employment and unemployment (million persons):			
1. Total civilian labor force (annual avge.)	64.5	65.1	65.7
2. Total employment (annual average)	61.2	61.6	61.9
3. Total unemploy't (1—2) (annual avge.)	3.3	3.5	3.8
4. Percentage of civilian labor force unemployed	4.9	5.4	5.8

1 The U. S. Department of Commerce regression equation fitted by the method of least squares is $C=3.3+0.92\ Y(D)$, where C=personal consumption expenditures and Y(D)=disposable personal income, both in billions of current dollars. The equation is fitted to the data for the selected years 1922-30, 1937, 1939, and 1940. See Louis J. Paradiso, "The Recent Pattern of Consumption," *Survey of Current Business*, XXXIV (April, 1954), 5-12. Our own regression equation, also fitted by the method of least squares, is $Y(D)=10.3+0.67\ GNP$, where GNP=gross national product in billions of current dollars. It was fitted to data for the period 1929-1954.

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information pertaining to liquid assets, outstanding debt and changes therein, in relation to the consumption - disposable income scatter, did not reveal predictable relations between consumption and one or more of these economic variables.

Our use of a stable function relating disposable personal income and gross national product implies certain *caeteris paribus* assumptions, namely, that business depreciation and dividend policies remain invariant; that the tax structure, including excise, personal, and corporate tax rates and exemptions, and the transfer payment structure, remain relatively unchanged. Alternatively, we may say that it presupposes that the gross propensity to save of corporations, the personal propensity to save, the propensity to tax, and the propensity to pay transfer payments, all remain unchanged. A change in any one of these relations would affect our forecasts somewhat. Time and resources precluded a more detailed analysis of them. Suffice it to say that the empirical relations estimated provided a good fit to the data.

We believe that the consumption function used is likely to give plausible forecasts providing significant unemployment, for example, 10% or more of the civilian labor force, does not occur. This seems a reasonable assumption for both 1955 and 1956, although the case is, of course, less secure for 1956. Using the predicted values of disposable income for 1955 and 1956, the consumption function employed gives an average personal propensity to save of 6.71% and 6.75% respectively. This may be compared to a value of 7.7% for 1954 and 7.2% for the last quarter of 1954. Thus it should be recognized that the equation gives an average personal propensity to save somewhat below that recently prevailing. Consequently, we may be tending to overestimate the consumer demand forthcoming in these two years.

Our estimate of personal consumption is obtained by linking the consumption and disposable income functions together and thus expressing consumption as a function of gross national product.[2] Using our solution values for gross national product in this latter equation, we obtain an estimated value of consumption of $238.7 and $245.7 billion for 1955 and 1956, respectively. These figures compare with a figure of $234.0 billion for calendar 1954. The corresponding values for personal saving in the two years are $17.2 and $17.8 billion. Finally, the value of disposable personal income is predicted at $255.9 billion for 1955 and $263.5 billion for 1956. Disposable personal income was $253.6 billion in 1954.

Gross National Product in 1955 and 1956

The economic model system we have used consists ultimately of the linear consumption-gross national product relation and the exogenous government, investment and foreign demand variables. A reduced form equation derived therefrom may be used to express gross national product as a linear function of the exogenous demand variables.[3] Inserting the estimates for these exogenous quantities which we have given above in this gross national product forecasting equation, we obtain the following results: 1955 gross national product will run at an average annual rate of $366.6 billion, up 2.7% over that for 1954. That for 1956 we estimate to be $377.9 billion, an increase of 3.1% over that predicted for 1955. These values may be compared to the figure of $357.1 billion for gross national product in 1954.

III. Employment and Unemployment

Although gross national product in 1955 ought to come very close to its all-time high in 1953 and to exceed 1954 by $11 billion, the prospects for employment and unemployment are not quite so favorable. We estimate that average employment in 1955 will be about 61.6 million persons, and unemployment about 3.5 million (5.4% of the civilian labor force). For 1956, we expect employment will average about 61.9 million persons, and unemployment about 3.8 million (5.7% of the labor force). Thus expected unemployment would slightly exceed the conventional full employment range of 3-5% of the civilian labor force.

These projected rates of unemployment are not at all serious from a short run point of view. Yet they do not warrant complacency. They are not serious for they reflect the substantial adjustment of the economy to a rapid cutback in defense spending which began in mid-1953, following three years of very rapid build-up. They also reflect a strong collateral reduction in inventories following their September, 1953, peak. The fiscal and monetary aspects of this transition have been managed remarkably well on the whole and the performance of the economy has been very favorable. By any reasonable standard the recession of 1954 was extremely mild, and recovery now seems well under way.

However, the crucial question is whether overall growth of demand will be adequate to absorb a labor force that is expanding by perhaps 600,000 persons a year and whose physical productivity rises by at least 2.5% a year. It is equally essential that this rate of growth be reasonably well sustained on a long period basis. Our estimates suggest that for 1955-1956 a moderate amount of slack will be developing in the labor force, continuing a process emerging in 1954 and exceeding the slack required to assure stable prices with full employment. For a limited period, an unemployment rate of 5-6% is no catastrophe. But if this rate were to persist or to creep up further, we would eventually find ourselves once more in a vacuum economy with insufficient total demand, requiring stronger counter-deflationary measures.

To estimate employment and unemployment in 1955 and 1956, we assumed, first, an increase of 600,000 persons annually for the civilian labor force. This corresponds closely with behavior in 1953 and 1954 as estimated under the new 230-area sample. This would take the total from an average of 64.5 million persons in 1954 to 65.1 million in 1955 and 65.7 million in 1956.

Second, we assumed that average physical output per employed person would rise by 2.5% in each year. Third, we assumed that average weekly hours would hold at their present level of about 39.5 hours. Dividing projected gross product by imputed value product per man (at constant prices) for 1955 and 1956 yields figures for average total employment of 61.6 million persons in 1955 and 61.9 million for 1956. Deducting these magnitudes from the projected totals for the civilian labor force yields unemployment of 3.5 million persons in 1955 and 3.8 million in 1956. In 1954 employment averaged 61.2 million and unemployment 3.2 million. Thus, while employment will be rising relative to 1954, it will not be advancing quite fast enough to match an increasing and more productive labor force.

Put a little differently, the problem is to maintain a rate of growth in gross national product sufficient to hold the percentage rate of unemployment at a stable level within the 3-5% full employment range. To do so with an annual increase of 600,000 in the labor force and with productivity advancing at 2.5% per year, national product should advance by between $12 and $13 billion each year for a labor force of 65 million. On our estimates we shall fall short of this target increase by about $3 billion in 1955 and $2 billion in 1956.

Although the procedure used here is conventional and well grounded, it does require a word of caution. Any estimate of the prospective civilian labor force must confront the limitation that only two annual observations, 1953 (as revised) and 1954, are available—hardly enough for a reliable trend. Moreover, the assumed 2.5% compounded annual increase in imputed value product per man may be too low, especially for 1955, since we have based it on 1954 results, when productivity actually fell. For the most part, the decline was due to a reduction of weekly hours. If hours were to increase significantly in 1955, employment would rise less relative to projected total demand. Apart from changes in weekly hours, productivity might still jump by more than 2.5%, which also would depress our estimate for employment and at the same time increase the figure for unemployment. However, it must also be borne in mind that an increase in physical productivity over trend (with weekly hours given) would lead to lower product prices, perhaps exerting some positive leverage upon consumption and private investment and so compensating in some degree for the adverse effects upon employment and unemployment.

Furthermore, we believe our underlying estimates of demand for gross national product may be on the low side, for reasons indicated in Section I. In this respect this is a way of saying that we would be less surprised if gross national product exceeds estimate than if it fell short. On this basis, our estimates for employment are more likely to be on the low side, and conversely, those for unemployment on the high. Thus, while we would not be operating in 1955 and 1956 at 3% unemployment, we ought to attain a 5% rate.

IV. Conclusions

The postwar performance of our economy has clearly demonstrated its tremendous growth potential. Our national product in real terms has risen about one-third over its immediate postwar level. Except for 1949 and 1954, unemployment has been held at a level that is generally considered acceptable. It is true that this economic expansion in real terms has been accompanied by a very substantial price inflation. But in the last three years, prices have shown a remarkable stability. But what of the future? Will the years to come be recorded in history as equally satisfactory?

Our economic analysis suggests that 1955 will be a year of prosperity. The situation for 1956 is less clear. The current prospects are that 1956 will be a good year but it may not come close enough to meeting the test of five or less per cent unemployment of the labor force. It must be fully recognized that our potential real national product is growing year by year and that aggregate demand for such national product must grow correspondingly if we are to realize our full potential. Once the economy generates a product less than that corresponding to full employment, we ought to examine the economic situation to determine whether this circumstance is apt to be temporary or not. These are the crossroads at which we find ourselves at present.

One must face the fact that the postwar prosperity was based upon a certain constellation of circumstances that cannot be depended upon to operate in the future. The tremendous backlog of demand for durable products is largely dissipated, except perhaps in the field of housing. The excessive liquidity in relation to the price level and income has been partially eliminated via price and income changes. Defense-induced investment is no longer the powerful stimulant that it was during 1950-1953.

Now we must face the problem of whether the economy is likely to have sufficient aggregate demand forthcoming under more "normal" conditions to generate full employment national product. More precisely, can we sustain sufficient investment in order to fill the gap between full employment gross national product and consumption after allowing for a substantially reduced government demand relative to national product? No completely satisfactory answer can be given to this question at present. It is well, however, to point out certain circumstances from which the reader may form his own conclusions. First, we have had a tremendous housing boom in the postwar period, maintained in part by increasingly liberal financing. Many experts doubt that this very high rate of residential construction can be long sustained. We believe, however, that this housing activity will continue through 1956. Second, there is some evidence that the ratio of private producers' durable equipment stock to gross private product has returned to a value about equal to that of 1929.[4] This suggests that past deficiencies of capital in relation to output, at least so far as equipment is concerned, have been made up. From here on it will only be necessary to increase capital in proportion to output as the latter grows. If output were to rise at a rapid rate, it is possible that sufficient investment would be "called forth." However, enough has been said to suggest the increasing difficulty of maintaining investment of this type in the future. The postwar experience to date gives us little basis for optimism in this regard. To be optimistic here requires that one count heavily upon a spontaneous burst of innovational investment, something which obviously cannot be foreseen.

Inventory disinvestment during 1954 was essentially an aftermath of the defense build-up following the Korean episode. When the multiplier effects of such changes are considered, it can be seen that they can have a substantial influence on national product. However, if the inducement to invest is weak in other major investment sectors, a general decline in economic activity may be initiated. In 1949, and it appears also to be true in 1954, the inducement to invest was fairly strong so that we merely had an "inventory adjustment." No general deflationary processes were engendered. We feel that the economy will move forward to higher levels of economic activity in 1955 and 1956, but there may be some waning so far as its buoyancy is concerned. And this would probably manifest itself in our not quite reaching our standard of 5% or less unemployment. Thus it appears that it will take more than a favorable inventory adjustment to give the economy a dynamic push to full employment.

We expect personal consumption expenditures to make a positive contribution to increased aggregate demand in 1955 and 1956. In fact, consumption actually increased during the recession years of 1949 and 1954. On the whole, the outlook for the next two calendar years is good, judged from present evidence. **Yet there is some ground for concern over a possibly developing "underinvestment gap," and this concern is not allayed by our gross national product projections. For what these estimates indicate is that we may be failing to hold the rate of unemployment within full employment limits. In other words, the estimated increases in demand for gross national product are not quite large enough to hold the line on the rate of unemployment. The cause may only be transitory, centering in the shock effects from the reversal of the Korean defense build-up. However, it may reflect deeper structural changes, culminating in more persistent investment deficiency. Clearly, we ought not to conclude from such limited evidence that we are confronting secular stagnation. But we should maintain a flexible view, and be prepared to undertake more vigorous fiscal and monetary action if developments indicate that it is necessary.**

2 The derived linear equation is C=12.78+0.62 GNP, where the variables are defined as given in footnote 1, above.

3 The gross national product forecasting equation is GNP=2.63(12.78+B+G+F), where B=gross private domestic investment, G=government purchases of goods and services, and F=net foreign investment, all in billions of current dollars. See the preceding footnotes for the underlying structural equations. The multiplier coefficient is 2.63, which means that a one billion change in one or more of the exogenous demand variables will lead to a 2.63 billion change in gross national product.

4 See Raymond Nassimbone and Donald G. Wooden, "Growth of Business Capital Equipment 1929-53," *Survey of Current Business*, XXXIV (December, 1954), 18-26.

Halsey, Stuart Group Offer Utility Bonds

Halsey, Stuart & Co. Inc. yesterday (April 13) headed a syndicate offering $12,000,000 Central Maine Power Co. 3⅜% first and general mortgage bonds, series V, due April 1, 1985, at 100.849% and accrued interest, to yield 3.33%. Award of the issue was won by the group at competitive sale April 12 on a bid of 100.16%.

Net proceeds from the sale of the new bonds will be used by the company to reduce its bank loans, which at the time of sale of the bonds, will amount to approximately $13,500,000. These bank loans were incurred in connection with the company's construction program.

The new bonds will be redeemable at general redemption prices ranging from 103.85% to par, and for the sinking fund at prices receding from 100.85% to par, plus accrued interest in each case.

Central Main Power Co., is an electric utility operating wholly within the State of Maine. It serves approximately 222,000 customers in central and southern Maine, an area which includes such industrial centers as Portland, Lewiston, Brunswick, Bath, Augusta, Fairfield, Skowhegan and Rockland, and 258 other cities, towns and plantations. This territory has, according to the 1950 census, a population of 617,000, about two-thirds of the total population of the state.

For the year 1954, the company had total revenues of $29,832,433 and net income of $5,950,454.

G. T. Wallace Opens

(Special to THE FINANCIAL CHRONICLE)

SAN CARLOS, Calif.—George T. Wallace has opened offices at 1201 Laurel Street to conduct a securities business.

Waldron Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William D. Lee is now with Waldron & Co., Russ Building.

Two With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James F. Schmidt and Maurice T. Swift have become connected with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

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Continued from page 13

Home Financing—Public Or Private Enterprise

where near the principles surrounding its origin. It is wholesome to note that even some of the official spokesmen of the builders and the mortgage banking fraternity have openly questioned the wisdom of Congress in the 1954 Housing Act in granting such ultra liberal terms to FHA financing. It is elementary that a poor loan does not become a good loan merely because a Federal agency insures it. Perhaps in periods of serious economic stress, a more liberal home financing subsidy could be justified, but certainly not during a period of great prosperity such as we have been experiencing in recent years. If it is a good loan, let's make it on our conventional plan, and if it is a bad loan, let's not pass a possible loss on to the American taxpayer.

Defects of FHA Program

I have always felt that the entire FHA program would have been tremendously improved if the lender participated in the risk. After considerable unfavorable publicity, Congress altered the Title I property improvement loan operation in order to accomplish this objective. No similar change has been made, however, on the Title II program.

It would be a very wholesome thing for the taxpayer and our communities if the lending institutions had to analyze every FHA loan they made with the anticipation of having to participate in a future loss if any. To be sure, this would probably reduce the total volume of money flowing in some areas from foreign states but, frankly, if the loans are not good enough for the institutional lenders to underwrite part of the risk, it is difficult to see why the full burden should be underwritten by a Federal agency.

In this respect we might take a look at one of the plans being used by the British Building Societies. I certainly would never hold the home building program of England as a good example of how to house the nation because their government-controlled home building program has been a colossal flop measured by American standards. They do, however, have a plan involving insured loans that might be worthwhile for us to take a look at. The most popular plan now in use requires the British borrower to pay a premium only on that amount above the amount of a normal loan. For example, under their mortgage guarantee policy on a $10,000 house the Building Society might normally advance $7,500 but will make a total loan of $9,000, provided the borrower will pay a 7½% premium on the extra $1,500. The premium is paid to one of several assurance societies (not one of the government agencies) and in the event of default, the Building Society would get from the insurance company the amount of the difference between their actual loss and what the loss would have been if the original loan had remained at $7,500.

One of the unfortunate aspects of the FHA publicity is the psychology of educating the public to wanting 30-year loans. It is sort of a normal human trait to want something that the other fellow has even though you don't need it or it might not be for your best interests to have it. This has been graphically illustrated in those areas where negative no-downpayments have been granted on veterans loans. Executives report that two-thirds of the veterans could make a downpayment of probably 5% but once the market has been established on a no-downpayment basis the veterans have consistently insisted that, By George, if their neighbor was entitled to a no-downpayment loan they were going to insist on one themselves even though it would cost them more interest in the long run. So it is with FHA.

If the public gets geared to 30-year FHA loans, it is going to be a headache even though it is not to the borrower's best interest to take such long-term loans. The Advertising Division of the League has just prepared a new folder which I think you can use very effectively to counteract this 30-year propaganda. It is entitled, "How Long Should We Take To Pay For Our Home?" It rather dramatically points out the fallacies of the ultra long-term loan to the borrower and illustrates, for example, that a person borrowing $10,000 at 5% interest pays $5,840 in interest on a 20-year loan. If the loan is stretched to 25 years, he pays an additional $1,710, and if stretched to 30 years, he pays $3,490 more than if written on a 20-year maturity.

The excessive interest cost of a 30-year loan is not, however, its worst feature as far as the borrower is concerned. Its greatest evil is the small equity accumulated during the first 5 and 10 years and what this means to the borrower in terms of his peace of mind and ability to enjoy home ownership.

In the first 5 years of a 20-year loan, the borrower pays off 16½% of his original balance, and the first 5 years of a 25-year loan he pays off 11½%, and the first 5 years of a 30-year loan he pays off only 8%.

Historically the acquisition of a home has been one of the most important accomplishments of the average American family, and every phase of the transaction has been surrounded with dignity and respect. It will be unfortunate indeed if ultra easy credit terms, minimum monthly payments, and the ready market for real estate should change the attitude of the American home owner toward this important obligation. It is a rather interesting social and economic phenomenon that the welfare state group within our midst has spent little time in promoting Federal subsidies for food on our table or clothes on our back but has advocated vigorously over the years for housing to be provided in many cases beyond an individual's means where the monthly payments either for rent or purchase would be backed by the American taxpayer. Automobile transportation is a basic necessity in many areas but, thank goodness, they haven't gotten around yet to having five-year automobile contracts insured by an agency of the Federal Government so that every one of our employees can afford a Cadillac.

The great Talman Federal Savings in Chicago in a recent full-page ad and also in a folder explained very clearly to their borrowers the importance of an equity in their homes. Here is what Talman Federal said to their borrowers generally, "Own half your home or more and the world is your oyster—lending institutions will almost beg you to take their money. Own one-third and you can usually get good financing of the rest without much trouble. Own less than one-fifth and you may be forced into the hands of the kind of lender that has no mercy on the unfortunates."

Talman states that it will not make a home loan without enough security so that it can be lenient when leniency is deserved and merciful when mercy is called for, and advises borrowers that they should get their equity up as fast as they can.

Importance of Complete Home Financing Service

In the earlier part of my talk I mentioned the impotrance of an all-around and complete home financing service to be rendered by our institutions. I imagine that most of you are making construction loans of one type or another and, if not, I hope that you consider the advisability of offering this service in the future. Even though we are specialists in the field of home financing, I doubt if we really appreciate the full significance of the home construction industry.

Every job created in the construction industry results in the creation of at least one additional job in other lines. It directly stimulates activity in lumbering, mining, manufacturing, transportation, public utilities, finance, insurance, real estate, and a variety of service industries in all of their wholesale and retail aspects.

First we build the house and then the streets and the bridges and sewers and storm drains and water works and flood control and then the schools and churches and hospitals and other commercial ventures and before we get through the little family that embarked on a home ownership program has started quite a chain of economic events.

It is interesting to note that it takes from seven to ten years after a family has moved into a home before all the appliances and furniture have been acquired to completely furnish it.

I am fully cognizant of the fact that an association's size and the type of community it serves will affect its ability to render some types of home financing service. I very seriously recommend, however, the financing of the operative builder where you have the money to do it. I was recently the guest of a large builder in a fairly large middle-western city. He had built thousands of homes over the years and said that he had never obtained a nickel of financing from a savings association because they were not interested. All of his business had been done with large life insurance companies, mostly on a VA and FHA basis.

Before leaving the community, I was visiting with the manager of a fairly large savings association in the same community and to my amazement he was complaining about their high degree of liquidity and their inability to get good mortgage loans. I inquired as to whether he financed any of their tract builders and he said no, that they had never particularly liked that kind of business. Had he found a profitable outlet for his funds I could readily understand his desire to do the type of business he preferred doing but I have never quite reconciled his preference for additional cash and a large government bond portfolio with insurance companies making millions of dollars of sound construction loans in his own back yard.

Life Insurance Company Mortgage Holdings

Incidentally, if you are at all sanguine about our position in the mortgage lending business of the nation, just remember that 877 life insurance companies in these United States reduced their holdings of U. S. Government bonds $10 billion since World War II, and during the same period increased their investment in mortgages from $7 to $26 billion. They now hold about one-third of all the FHA loans outstanding and approximately one-fifth of all VA loans outstanding, and, of course, have a tremendous portfolio of conventional loans. They now have a total capital in excess of $84 billion and this constitutes the largest single pool of private capital in the world.

I know there are tax implications involved but if we can get them worked out, I believe that the sheer size of our institutions in coming years will force us to give more consideration to the buying and selling of loans. It is a shame for our associations in those areas where there is a shortage of money to sell VA and FHA loans to life insurance companies and banks when there are other savings associations badly needing an outlet for funds. Not too many years ago the mutual savings banks of the New England area would have been horror stricken at the thought of running all over the country in an effort to buy mortgage loans. Their great accumulation of funds, however, forced them to push through state laws allowing them to buy loans beyond the limits of their state lines and now the mutual savings banks are actually setting the market on mortgage loans in such distant places as Florida, Texas, and California. In fact, it was a New York mutual savings bank that broke the market in the Los Angeles County area on negative no-downpayment VA loans, and a commercial bank from Dallas, Texas, then jumped on the bandwagon and local lenders were forced into the same routine. There always has been and always will be a variance in money requirements in various parts of our nation, and I think it would be very wholesome for members of our business to traffic with one another if the opportunity is afforded rather than be forced to do all of that type of business with our competitors. With no intention of becoming involved in the actual negotiations, the U. S. League in Chicago has announced its intention of serving as a clearing house for member institutions interested in either selling or buying loans. My prediction is that over the years this may become a very valuable service.

A trend among the merchant builders that may not be too wholesome is the concentration of business in the hands of larger and fewer builders. One reason for this is the inability of the smaller builder to accumulate raw land. So often the only available acreage is in chunks too large for the average builder to swallow and the big builder thereby gains all the advantage. Some states now have legislation allowing savings associations to invest a certain portion of their assets in land and in improvements, and we have legislation pending in Congress authorizing Federals to do the same. If this bill becomes law, it will enable Federals in many areas to accumulate land for the small builder, thereby opening up a new service to the community and a new avenue of profit to the association.

It has been said that such an operation is subject to abuse, and like many other types of progressive legislation the statement is probably true. However, the program is limited to a small percentage of assets and no business is ever going to continue a dynamic existence if regulations and laws are written solely to protect the incompetent from making an error. I personally think the time will come when we will want to and will safely finance community shopping centers and commercial ventures of that kind in addition to financing the houses. Assuredly this is a far jump from the first home loan made in Philadelphia in 1831, but our competitors in the insurance and banking fraternities are not driving horse and buggies, and we must be ever vigilant to not only preserve but enlarge our investment outlets.

Summary

In summary, I would like to remind you that in 1954 conventional loans accounted for 53% of new residential construction starts, which was an 8% drop from 1953 when the ratio was 61%. This becomes particularly significant when we realize that the liberalized FHA program under the 1954 Housing Act did not get rolling until late in the year. Each month since last September the number of applications for FHA loans on existing houses has amounted to between 24 and 33,000 as compared to a range from 10 to 20,000 during the first eight months of the year. In fact, each month's total since last September has been higher than any month since the close of World War II.

At the trade association level we are doing everything possible to preserve the private enterprise system of home financing in America by keeping an ever watchful eye on legislative developments and utilizing the full resources of our capable League staff to recommend improvements in every phase of our home financing service. We are at present supporting the Administration request that the President be given discretionary authority in the establishment of loan to value ratios and maximum maturities on FHA new construction loans. Such authority could be used as a wholesome restriction on the too liberal use of FHA credit during times of high prosperity.

In the final analysis, however, the answer to these interesting and important problems must come from savings association executives as represented by the group in this room. The public, as always, will be the final arbiter and will judge us on the basis of the service that we render. Let's review the service we are rendering in the light of all existing circumstances to make sure that our loan plans include all of the modern improvements worked out by Horace Russell and other members of the League staff and League committees over the years, including the open-end feature. In this connection, don't overlook the new booklet from our Loan Procedures Committee entitled, "The Savings and Loan Mortgage Plan" presenting a revised and up-to-date version of what was developed a number of years ago as the "U. S. Loan Plan" by the League Post-War Planning Committee whose chairman, by the way, was Walter McAllister. And, most important of all, let's review our lending practices with respect to percentage of loan and maturity in order to make sure that we are in a position to extend credit to every worthwhile citizen of our communities who is entitled to the important privilege of owning his own home.

Joins Robert Buell

(Special to The Financial Chronicle)

HARTFORD, Conn. — Frances G. Bernet has joined the staff of Robert C. Buell & Co., 36 Pearl Street.

With Coburn, Middlebrook

(Special to The Financial Chronicle)

HARTFORD, Conn —Harold W. Cleveland and Richard M. Mahar have become affiliated with Coburn & Middlebrook, Inc., 100 Trumbull Street.

Joins Barclay Inv. Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Alphazene Brown has joined the staff of Barclay Investment Co., 30 South La Salle Street.

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Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The 1955 first quarter statements of the leading New York City banks show a healthy continuation of growth in earnings, equity, government bond holdings, loans and discounts, deposits, and invested assets. Following are comparisons of first qurrter earnings and of those for the 12 months to March 31, in 1954 and 1955:

	—First Quarter—		12 Mos. to March 31	
	1954	1955	1954	1955
Bankers Trust	$1.18	$1.31	$4.37	$4.71
Bank of New York	4.01	4.05	16.36	16.67
Chase Manhattan	0.69	0.88	3.19	3.45
Chemical Corn Exchange	0.93	0.93	3.68	3.49
Empire Trust	2.96	3.32	11.89	12.59
First National City	0.84	0.91	3.16	3.39
Guaranty Trust	0.94	1.11	4.67	4.47
Hanover Bank	0.62	0.65	3.33	3.40
Irving Trust	0.41	0.47	1.75	1.86
Manufacturers	1.42	1.56	5.86	6.02
J. P. Morgan & Co.	3.95	5.00	17.46	14.78
New York Trust	1.11	1.16	4.55	4.73
Public National	0.84	0.86	3.64	3.64
United States Trust	4.86	5.20	21.29	22.40

Adjustments have been made to compensate for the splits and/or stock dividends of Bank of New York, Hanover Bank, J. P. Morgan & Co. and New York Trust. Chase and Manhattan are treated as a merged bank for both periods. As the Bankers-Public merger did not become effective until April 11, their data is given for March 31 separately. The figures for First National City are for National City and City Farmers (on the basis of 10,000,000 shares for both periods). First National's figures are excluded in this comparison, as First National City Bank did not issue its stock in exchange for that of First National. Chemical Corn Exchange's data is pro forma for 1954, reflecting the merger which took place in late 1954.

Total earnings of this group of banks in the 12 months were $181,017,000, compared with $175,604,000 in the 12 months a year earlier, making a gain of $5,413,000 or about 3.1%. The source of these increased earnings was, in the last analysis, the growth in deposit volume, which for the March 31 date ran to $2,016,990,000 over a year earlier, or 7.6%. Government bond holdings on the same date showed a gain of $727,150,000 (10.3%) over March 31, 1954; and loans and discounts a gain of $961,248,000 (8.3%).

In other words, utilization of the increase of over $2 billion of deposits was greater in the banks' loan portfolio than in their government holdings, which was bound to result in greater earnings, as these banks' average rate of return on governments has been approximately 1.98%, while that on loans and discounts has been about 3.50%. Hence, given a good enough demand for loan accommodation the banks will naturally employ that use for their increased deposits in preference to governments, the yields on which are so much lower.

Turning to equity, or book value, we find that the 12 month growth was $207,873,000, equal to 8.6% on the March 31, 1954, total for the same banks. The major portion of this came from plowed-back earnings; and the total increase supplies additional backing for the increased deposit liability. Relating book value to deposits the average deposit ratio of the group is 10.9 times. The highest deposit ratio is 14.0 times; the lowest is 5.4 times. As to deposit ratios, each of these banks meets the requirement of, for example, Massachusetts law for its savings banks investments, which requirement is for a 16⅔ to 1 ratio.

Finally, there was a growth of over $2,290,000,000 in these banks' total of invested, or working, assets. This gain was 10.6% of the March, 1954, total of $21,665,533,000. The average rate of earnings, after taxes, on invested assets in the 12 months was 0.75%. These statistics give no effect to securities profits or recoveries, but reflect pure operating earnings. The practice among the leading New York City banks is to credit any securities profits to reserve for amortization of bond premiums or valuation reserve. It is also their conservative custom to reduce loans and discounts by the amount of so-called bad debt reserve that they are permitted to set up under the treasury formula on a tax-free basis. An indication of the extent of this reserve may be taken from the March 31 statement of condition of Chase Manhattan Bank, which carries a bad debt reserve of over $70,000,000.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

In spite of some minor easing operations the money market and to be more specific, the Government market seems to be indicating that an increase in the discount rate should not be unexpected in the not too distant future. The upward trend in yield of practically all Treasury obligations, according to money market specialists, makes more imminent an increase in the discount rate. This was confirmed late yesterday when the Federal Reserve Bank of Kansas City upped the rate from 1½% to 1¾%, thus setting the stage for a general rise. The tight money situation resulted in Treasury bills going to 1.652% average yield during the past week. This is the highest level since mid-December, 1953.

Because of the uncertainty that is still so prominent in the money markets, the principal demand is for the short-term liquid Treasury obligations. Also the uptrend in near-term rates is not difficult for the buyers of these issues to take. The rest of the list, is not getting very much attention because the intermediate and longer-term buyers are still very much on the sidelines. Accordingly, there is a very thin, defensive and professional market in these securities.

Commercial Banks Inactive

It seems as though the buying interest in the Government market continues to ebb, particularly in those sectors of it, which go to make up the intermediate and longer term maturities. It had been evident for sometime now that there would not be very much in the way of acquisitions of Treasury obligations, by the commercial banks because these institutions do not have the funds to invest in Government securities.

The credit limiting operations of the monetary authorities have had a very pronounced effect upon the ability of the deposit banks to put money into investments of the nature of Government securities. Excess reserves in many instances are non-existant, while in other cases they are so small, that the little which is available, is hardly enough to take care of the needs for short-term liquid investments.

The commercial banks in the last year or so built up what was considered to be ample enough positions in the middle-term obligations. Even though some of these securities have been sold from time to time in order to meet demands for funds for other purposes, it is indicated that the holdings of the intermediate term Government issues are still large enough to meet the requirements of these institutions. Accordingly, if the commercial banks had funds available to put into Treasury obligations, there would not be too much interest now in the middle-term maturities.

Buying Centered on Long 3s

The longer maturities continue to be on the heavy side because the buyers of these issues are still very much on the sidelines. Commercial banks, with the exception of those that are heavy in savings deposits, are out as far as purchases are concerned of the longer-term maturities of Treasuries. The deposit instiutions with savings accounts have been making not too sizable commitments in some of the more distant Government issues, mainly in the recently offered 3s.

There have also been commitments made in the other long-term Governments by institutional investors, such as the public pension funds, which have given more than a bit of support to these securities even though the purchases have not been sizable according to more normal standards. This is a condition which is not unusual when there is a defensive tone to the Government market, such as is the case now.

It is evident that the 3% bond has had some good orders from time to time, and this issue has been the leading obligation in the Government market because it has appeal to certain long-term investors. Not only has there been a large amount of switching from other Treasury issue into the 3s due 1995, but there have also been some outright new money purchases of this bond, since it has appeal from the income standpoint.

Price of Long 3s Volunerable?

In spite of the good reception which has been given to the new 3% obligation, it does not seems as though this issue alone can continue to do better than the market as a whole. It is believed that sooner or later the down-pull of the rest of the bond market will have an influence upon the price trend of the longest Treasury obligation, which means it will have to seek levels more in line with the other long-term issues.

The short-term obligations, even though rates have firmed somewhat, are still the issues with the most demand and the best market as far as the Governments as a whole are concerned. There is not likely to be much of a change in the demand for the most liquid Treasury obligations as long as the uncertainty continues in the money market. This is not expected to be removed immediately.

Kingdom of Norway To Sell $15,000,000 External Loan Bonds

The Kingdom of Norway on April 7 filed a registration statement with the Securities and Exchange Commission, covering an issue of $15,000,000 of external loan bonds. This was confirmed by the Norwegian Ambassador to the United States, Wilhelm Morgenstierne.

Public offering of the bonds is to be made around April 20 by a large syndicate of investment banking houses headed by Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lazard Freres & Co.; and Smith, Barney & Co.

Representatives of the Kingdom of Norway have been in this country for some weeks discussing with the International Bank for Reconstruction and Development a loan of $25,000,000, or its equivalent in other currencies, to be made concurrently with the borrowing from the public.

Proceeds from both the public offering and the proposed borrowing from the World Bank would be applied to the foreign exchange costs of capital equipment required for the development of the Norwegian economy.

ASE 5 & 20 Dinner

The Five and Twenty Club of the American Stock Exchange will hold a Corned Beef and Cabbage Dinner open to all members and ex-members of the exchange on Wednesday, April 20, 1955, according to an announcement by Philip H. Diamond, President of the club.

The get-together will take place at the Downtown Athletic Club. Over 200 are expected to attend, including present and former members of the Exchange. The club, composed of individuals who have held American Stock Exchange memberships for 25 years or more, is conducting a search to gather a large representation of former associates. Mr. Diamond stated that many faces, long absent from the Trinity Place market, would be on hand for the reunion.

Leonard C. Greene is Chairman of the arrangements Committee. Other members of the Committee are George J. Bernhardt, James R. Dyer, Robert J. Fisher, Henry C. Hagen, H. Lawrence Jones, Mortimer Landsberg, Milton E. Reiner, Frederick J. Roth, Milton Steinhardt, Jack Streicher, and Farncis X. Gaudino, Secretary.

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QUARTERLY ANALYSIS

14 N.Y. City Bank Stocks

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With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

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

Joins Dempsey Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles E. Rampley is now with Dempsey-Tegeler & Co., 210 West Seventh Street.

With Fewel Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Russell G. O'Connor is now connected with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Marache, Dofflemyre Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold E. Klinke is now affiliated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with Pledger & Company, Inc.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Ruth Ferte and Stanley R. Johnson have become associated with King Merritt & Co., Inc., 1151 South Broadway.

Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David E. Pedley has become associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Pedley was previously with Standard Investment Co. of California and J. Logan & Co.

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Valuable Market Uses of Consumer Income Findings

tions benefited from such skillful use of cosmetics to the extent that it served their purposes in attaining matrimonial goals?

Number of Women per Family

It is of interest and practical importance that as the number of women of cosmetic age (14 years and over) increases in a family, there is an increase in the family's expenditures for cosmetics but not in direct proportion. Specifically, an increase in the number of cosmetic-age women results in an increase in cosmetic expenditures for the family, but a decrease in the per capita cosmetic expenditure for each member of the family. This might be explained by a sharing of some cosmetics among members of the same family as well as possibly the more frequent presence of a woman in her sixties-plus in larger families.

"Good" Versus "Bad" Cosmetic Markets

I have discussed a few of the major marketing factors which affect cosmetic sales in a city. There are other factors, such as climate, non-white population, etc. Knowing the importance of **each** factor for each market in the United States, we are now able to estimate with known accuracy the amount of money spent on cosmetics in **each** market. This provides us with the most reliable basis ever developed for planning sales and advertising programs.

For example, let us look at the City of Boston. Its average per capita expenditures for cosmetics (by females 14 years and over) is very low . . . $6.14 in 1953, compared to a U. S. average of $8.34. Why are Boston cosmetic sales low Let us analyze each marketing factor in this city as it affects cosmetics.

On the plus side, the level of income and the number of female white-collar workers is above the U. S. average. However, the negative effects of the low percent of married women, the large number of women per family, and other marketing factors outweigh the plus factors, and result in Boston having a very low per capita cosmetic sales.

Now let us look at a high cosmetic sales city such as Washington, D. C. Almost all factors in this city are on the positive side, i. e. above average income, higher percent of female white-collar workers, low number of women per family, etc. The only important negative factor is the low percent of married women. When all the factors are combined, Washington, D. C., stands out with a per capita cosmetic expenditure approximately 75% above the U. S. average.

Let us take another example: a mid-western city, Denver. This city also enjoys an above-average income, and relatively high percent of female white-collar workers and married women. There are also several other positive factors. The only negative factor is the relatively high number of women per family. Again, combining all the effects, we arrive at a high of $13.73 per capita cosmetic expenditure for Denver, compared to a U. S. average of $8.34.

In a similar manner, we have obtained the cosmetic sales data for over 200 of the most important cosmetic markets in the United States. A comparison of the six top markets is shown in the accompaning table:

Metropolitan Market	1953 Per Capita Cosmetic Sales	Total Cosmetic Sales—1953 Dollars	% of U. S.
New York	$7.61	45,767,000	8.56
Los Angeles	10.55	22,851,900	4.28
Chicago	8.23	20,057,900	3.75
Detroit	8.27	10,947,900	2.05
Philadelphia	6.37	10,468,200	1.96
Washington, D. C.	14.75	10,178,500	1.90
Total U. S.	$8.34	$534,382,200	100.00

This table points up sharply that New York, frequently considered the beauty capital of the United States, actually spends less per capita than the U. S. average for cosmetics.

It is also seen from this table that Los Angeles is second only to New York as a cosmetic market. Los Angeles women simply spend approximately 40% more per capita than Chicago women, reducing Chicago to third place as a cosmetic market.

Macaroni, Spaghetti and Noodles

Let us take another small product group as an example: macaroni, spaghetti and noodle products. The Bureau of Labor Statistics survey reports the following 1951 expenditures on macaroni, spaghetti and noodles:

Newark, N. J.	$7.88
Hartford	7.08
Philadelphia	6.90
Cleveland	6.06
Wilmington	5.30
Birmingham	3.44
Portland, Ore.	2.96

In the analysis of these expenditures, we find that one factor affecting family expenditures is, of course, the number of persons per household. It seems that when macaroni is put on the table, everybody digs into it, and you have pretty much of a straight line describing the relationship between macaroni expenditures and the number of persons per household.

A very important factor in macaroni expenditures is the percent Latin foreign-born of the total population, i. e., as the percent of Latin born increases, there is a sharp increase in the expenditures for this product group.

Another very important characteristic is temperature. In the warmer climates, families spend appreciably less than in colder climates for this product group.

Income has a very interesting relationship with macaroni, etc. expenditures. There is a very slight rise in expenditures as income rises up to a point, and then there is a sharp decline, indicating that the income factor in high-income areas tends to lower expenditures for this product group.

City size also becomes an important factor in consumption of macaroni products. It appears that Latin derivative people tend to affect consumption patterns of people around them, resulting in high expenditures in cities of larger size.

This analysis, when integrated with latest population and income data, provides macaroni, spaghetti and noodle expenditures in cities throughout the United States. This information is very valuable to manufacturers and advertising agencies in determining where they can get the most from their advertising and sales dollars. Specifically, the marketing factors found in the analysis aid in their choice of media and in the timing of the advertising. The sales data aid in providing share of market information, sales potential figures, typical test cities, and good and bad TV areas for macaroni products.

Toilet Soap

Let us take another example of how expenditures vary from city to city for a basic product — toilet soap. The Bureau of Labor Statistics reports 1950 expenditures for toilet soap at $12.13 per family for Canton, Ohio; $10.57 for Cleveland, Ohio; $9.56 for Kansas City, Missouri; $6.11 for Los Angeles, California.

There are, in this basic commodity, logical cause and effect relationship that explain the variation amongst these markets for toilet soap expenditures.

Specifically, size of family will account for part of these differences; income also has its effect, although it is relatively minor compared to the size of family factor; climate has its effect.

Water hardness also has its definite effect, with the extremely soft water areas spending less than the moderately soft water areas, and the moderately soft water areas actually spending **more** than the hard water areas.

Another definite plus toward increased toilet soap expenditures is the degree of manufacturing found in a city, i. e. the greater the manufacturing, the more the toilet soap expenditures in the area.

Soda Crackers

The Bureau of Labor Statistics shows wide variation among our areas in the amount of money spent on soda crackers. For example, the report for Louisville, Ky. is $5.38 per family in 1951; Newark $4.40; Cleveland $4.02; St. Louis $3.42; Madison, Wis. $2.87; San Francisco $2.45.

Why these differences? Analyses of these data show quite clearly that soda cracker expenditures vary inversely with temperatures; i. e., the higher the temperature, the less the soda cracker expenditures.

Income does have an effect— a very slight one — on soda cracker purchases. The precent of population below 14 years of age in an area has a definite effect.

The non-white population is a marketing factor that must be considered in the purchase of soda crackers as well as in the purchase of many prepared foods.

Bedsheets

Let us take an example of the Bureau of Labor Statistics data for a textile item — bedsheets. Hartford reports 1950 family bedsheet expenditures at $7.69; Miami $7.65; Philadelphia $6.95; Pittsburgh $6.05; San Jose $5.04; Portland, Ore. $4.20.

Why these differences? Some of the marketing factors that have been found to be related with these expenditures are: persons per household, income, white-collar employment, and temperature. Again, when these factors are integrated with the latest population and income data, we can arrive at estimates for sales in each marketing area.

Conclusion

In a somewhat similar manner to the method of analysis described above, approximately 1,500 products and services can be studies individually. For the very first time, through analyses of these inter-city differences, we can now provide management with insight into the marketing factors affecting their individual products.

Whatever the marketing factors found to be important in a study of each product, these are the factors that must be considered in constructing sales quotas, determining advertising allocations, choosing media and the timing of these media.

These factors permit scientific marketing — cutting waste, increasing sales and raising profits.

Scott Renominated For NYSE Chairman

Harold W. Scott, a partner in Dean Witter & Co., has been nominated to serve a second one-year term as Chairman of the Board of Governors of the New York Stock Exchange.

Harold W. Scott

Mr. Scott has been a Governor of the Exchange since 1949. He started his career in the brokerage business in 1925 after attending Princeton University. He joined the Air Corps at the start of World War II as a Captain and left in 1945 as a Lieut.-Colonel.

Prior to his election as Chairman in 1954, Mr. Scott rendered distinguished service to the Stock Exchange and the financial community as Chairman of the Advisory Committee on Public Relations in 1950 and 1951. Mr. Scott's Committee was charged with the responsibility of increasing public confidence in the usefulness and integrity of the Exchange and of fostering a realistic understanding by the public of the risks and advantages of stock ownership.

The slate of new Governors is distinguished in a number of respects.

Richard M. Crooks, a partner in the member firm of Thomson & McKinnon, was nominated after a one-year absence from the Board. Mr. Crooks served three one-year terms as Chairman until 1954 when he indicated he was not available for renomination. His nomination calls for a term of three years.

Bayard Dominick II, a partner in the firm of Dominick & Dominick and a member of the Exchange since 1938, was elected a Governor in 1954. He sold his membership recently which required him to resign as Governor. He was nominated as an allied member of the Exchange, to serve as a Governor for three years.

New nominees for the Board of Governors, to serve for three years, are:

Thomas H. Benton, Benton & Co. (New York City); Walter F. Blaine, Goldman, Sachs & Co. (New York City); Richard M. Crooks, Thomson & McKinnon (New York City); Bayard Dominick II, Dominick & Dominick (New York City); William M. Meehan, M. J. Meehan & Co. (New York City); E. Warren Willard, Boettcher & Co. (Denver).

C. Peabody Mohun, Stern, Lauer & Co. (New York City), has been nominated to serve for one year, as a new Governor.

Renominated to serve on the Board for three yeare, are:

Ralph Chapman, Farwell, Chapman & Co. (Chicago); Alexander R. Piper, Jr., Paine, Webber, Jackson & Curtis (New York City); Buford Scott, Scott & Stringfellow (Richmond, Va.).

Total membership of the Board is 33. Elections will be held May 9.

Renominated to be Trustees of the Gratuity Fund, which pays death benefits to the families of deceased members of the Exchange, were:

Charles B. Harding of Smith, Barney & Co.; William D. Scholle of Scholle Brothers; W. Shippen Davis of Blair S. Williams & Co.

The 1955 Nominating Committee also proposed a new Nominating Committee for 1956:

Douglas G. Bonner of Bonner & Gregory; Ernest W. Borkland, Jr. of Tucker, Anthony & Co.; Alexander R. Doyle of Weil & Doyle; Charles A. Greenfield of Mabon & Co.; William B. Haffner of Wilcox & Co.; Donald M. Lovejoy of Bache & Co.; Leonard D. Newborg of Hallgarten & Co.; William M. Rex of Clark, Dodge & Co.; Paul Sperling of Ernst & Co.

Clarence Southwood, of H. N. Whitney, Goadby & Co., heads the outgoing Committee. Other members are:

Ralph Hornblower Jr. of Hornblower & Weeks; H. Lawrence Bogert Jr. of Eastman, Dillon & Co.; Harold H. Cook of Spencer Trask & Co.; Stephen A. Koshland of Carl M. Loeb, Rhoades & Co.; Joseph A. Martin, Jr. of Gaines & Co.; Richard H. Moeller of Schirmer, Atherton & Co.; John J. Trask of Francis I. duPont & Co.; Samuel W. West, Beauchamp & West.

Fruehauf Trailer Debentures Offered

Lehman Brothers and associates are offering $15,000,000 Fruehauf Trailer Co. 3¾% convertible subordinated debentures due April 1, 1975 at 102½% and accrued interest.

Proceeds from the sale will be used for working capital to meet the expanding demand for production of Fruehauf Trailer products, particularly of the new Volume Van Trailer, the construction of which by decrease in the thickness of the walls, lowering of the floor and increases of length, all within existing limitations fixed by law, allows the carrying of up to 35% more cargo than conventional trailers. The Volume Van Trailer, which is a high cubic capacity vehicle, has met with excellent acceptance and is currently being produced in quantity at five of the company's plants, serving the East, Midwest, Far West and the South. The company expects that the Volume Van will comprise a substantial part of its business.

The debentures are convertible into common stock at $40 per share.

The issue carries sinking fund provisions under which the company, at its option, may retire up to $750,000 annually beginning April 1, 1960 through 1964. Beginning April 1, 1965 through April 1, 1969, the company is required to retire $750,000 annually, and at its option, may retire up to an additional $750,000 in each of these years. Beginning April 1, 1970 through 1974, it is required to retire $1,200,000 annually, and, at its option, may retire up to an additional $1,200,000 in each of such years.

Fruehauf Trailer Co. is the largest manufacturer of truck trailers in the United States, and sales for 1954 amounted to $152,818,738. The company, together with its wholly-owned subsidiary, Fruehauf Trailer Co. of Canada Ltd., engages in the manufacture, sale and distribution of truck trailers, truck bodies, accessories and the sale of parts and services. The Fruehauf Trailer Finance Co., a wholly-owned subsidiary, finances installment sales of the trailers. Eight manufacturing plants are located in the United States and one in Canada. In addition, Fruehauf operates sales and service branches in 75 cities throughout the United States and Canada.

Two With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — William S. Finerman and Simeon S. Jacobs have been added to the staff of Daniel D. Weston & Co., 140 South Beverly Drive.

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The Ford Business— Today and Tomorrow

Customers generally are forced to wait for delivery of the kind of car they want. I might add that at least a 30 days' supply is considered desirable.

Used car stocks are also being maintained by our dealers at very satisfactory levels, with an 18 days' supply now on hand, exactly the same level as a year ago, despite the greatly increased level of new car sales.

To return to the demands for legislation, let me say a few words about the so-called bootlegging problem—the sale of new cars by authorized dealers to other persons for subsequent resale. The Ford Motor Company is on record as being opposed to this practice. First, it tends to weaken the authorized dealer organization, and the maintenance of such an organization is in the best interests of both the manufacturer and the public. Second, bootlegging certainly creates dissatisfied owners.

The buyer of a bootleg car may get used merchandise. He may be purchasing a car that has been driven or towed up to 2,000 miles or more. He is running the same risk as the buyer of a floor sample or rebuilt television set at a reduced price from a discount house. He may be getting a bargain, but all too often he's only geting a headache—and an expensive one at that. Certainly it is not in the interests of the Ford Motor Company to have its products delivered to the customer until these cars have been properly conditioned and serviced by an authorized dealer prior to delivery.

Legislation No Answer

We do not believe that legislation is the answer to the problem of bootlegging. Some dealer groups think that a law that would permit—or perhaps require—manufacturers to terminate the franchises of dealers for bootlegging is the cure. How could such a law be enforced? Would it be in the best interests of the consumer? Many of the cars that are classified as bootlegged were originally sold by an authorized dealer in good faith. Should his franchise be canceled? The dealer can hardly be expected to verify the ultimate use or destination of every vehicle he sells.

The proposed exclusive-territory legislation presents much the same enforcement problem. Under this law a fine or "service fee" could be exacted by the manufacturer from a dealer who sells a new car to a buyer living outside the dealer's normal trading area. We as one manufacturer do not want to be put in this position of a policeman over our dealers.

There is certainly room for reasonable doubt—especially on the part of the consumer—as to whether it is wise to have a system of closed territories, legally enforceable by the manufacturer. The competitive system is a pretty tough game, subject only to certain moral and legal rules of fairness. But competition serves the consumer in a very effective way—and all of us, individuals and businesses, are consumers.

It has also been contended that bootlegging is the result of high freight rates to points distant from Detroit.

I do not know of any economic subject that has produced more loose thinking and discussion. The term itself and the whole objection to the present system of automotive pricing is based fundamentally on a misconception of our actual pricing policies.

Perhaps it would be a good idea to take a look at the system of distribution used by automobile manufacturers, as it has developed over the year. Many years ago someone at the Ford Motor Company—probably Mr. Henry Ford the elder—took a pencil and a piece of paper and figured out that by shipping parts closely packed in freight cars, he could save enough in freight costs to justify spending millions of dollars on branch assembly plants. This not only strengthened the company, it strengthened local economies in all parts of the nation, and thus the national economy itself. What's more, it enabled the company to provide better and quicker service for dealers and new car purchasers in all of those areas. In the course of time other automobile manufacturers have followed that lead—some to a large extent, some to a lesser extent.

For many years no one questioned the practice of charging for the completed car at those distant points a price composed of the price at Detroit plus the added cost of shipping a new car from Detroit to the point of sale. After the war, however, something happened to change this situation.

In line with increased costs, the railroads asked for and received substantial increases in freight rates. In fact, the freight charge on a typical car shipped from Detroit to San Francisco increased from about $150 in 1941 to $300 in 1953.

This meant that the price of an automobile on the Pacific Coast was higher than the price of the same automobile in the midwest. In fact, it was enough higher that people living there could finance a short vacation simply by flying to Detroit and picking up a new car—but they did have to drive it back. Of course, people did this before the war, too, but increases in freight rates since World War II made it more attractive to do so.

This created something of a problem for the manufacturer. We do not have adequate retail facilities at the factories in Detroit to take care of deliveries of many cars to individuals. Further, we have some very sizable investments in assembly plants on the Pacific Coast and elsewhere which were built for the purpose of supplying those markets.

So, as a matter of good business, Ford Motor Company took the lead in October, 1954, and announced new schedules of prices and charges which afforded important reductions at distant points and slight increases within a range of 1,000 miles of Detroit. Today it is not nearly so attractive a proposition for the car-buyer living at a distant point from Detroit to come to the middle west to buy his car and drive it home. Further, this new pricing policy has reduced bootlegging at these distant points.

But some dealers are not yet satisfied. They still expect what they call "truly equitable" freight rates, according to the newspapers. Let me emphasize that our prices, whether you call them "base prices," "distribution charges" or something else, are established — hopefully — to provide enough revenue at standard volume to cover all our costs and to yield a reasonable return on investment. The so-called freight-pricing problem is just as simple as this: we could reduce our distribution charges to zero with a stroke of the pen, but we would be forced to offset this loss of revenue by increasing basic vehicle prices. This would mean that about 75% of the buying public would be paying more for our cars and trucks than they are paying today.

In addition, we would certainly have to review very carefully the economics of having such a great number of branch assembly plants. Except for freight costs, a system involving many dispersed plants is considerably more expensive, in terms both of investment and of annual operating cost, than a few larger, centrally located plants would be.

Free Competition Full Swing

The year 1954 saw the men separated from the boys, so to speak, in many industries. The free competitive system again went into full play, for the first time since World War II. The consumer made the decision as to what television set, what refrigerator, what dishwasher and what automobile he wanted to buy. Before that, as far as automobiles were concerned and except for a short period in 1949, he was glad to buy anything on wheels for transportation. Government controls, material limitations and allocations and a host of other unusual factors prevented the buyer from exercising a free choice. During this period of the seller's market, many automobile dealers were leading a pretty soft life. Ford Motor Company at that time was analyzing its dealers' operating statements, strengthening the weaker dealers and helping them to prepare for that inevitable day when our industry would go into a buyer's market. That day came almost overnight, as all of you know. All dealers saw their profits drop, and in some car lines many dealers saw their profits disappear.

The executive Vice-President of the NADA has reported that auto dealers' profits in 1954 averaged only 0.6% of sales and 3.5% on net worth. I hope you will note that I said "averaged." It is misleading to group all auto dealers, regardless of what line they handle, into an average figure—you all remember the story of the man who drowned when he tried to wade across the stream that averaged two feet in depth.

Ford dealers are far above what the NADA calls "average" and so are their profits and return on investment. Last year our dealers' financial performance—return on investment—was five times better than the industry average that has been reported by the NADA. Furthermore, I am pleased to report that so far this year, our dealers' profits before taxes are running more than double the profits for the same months in 1954. What's more, these profits are over and above the rather substantial amounts that dealers take out of their businesses in the form of salaries and bonuses for themselves.

So I say to you today, don't worry about Ford dealers. They like us. They are very happy at what has happened at Ford Motor Company. I could read you hundreds of unsolicited letters from Ford dealers who have nothing but praise for our management policies and the results of those policies. Of course, there will always be a few disgruntled dealers—and some of their complaints may be more or less justified—but let me say they are greatly in the minority in our company. There is a great loyalty and spirit of teamwork between our dealers and Ford Motor Company. We believe it is there because we have both earned it.

Now, you may very well say, "Yes, but you are the big Ford Motor Company." I hope that when we publish our financial statement, the figures for 1946 will be included. The dire straits in which we found ourselves in that year have been publicized all too well. I'll just say as a reminder that the company was losing approximately $10 million a month during the first six months of 1946. It was short of cash to meet its operating needs, let alone to refurbish its worn-out and obsolete facilities and to design and tool postwar models. It had no modern products, and its engineering department was not adequately staffed or equipped to engineer modern products.

You are already familiar with the story of Ford Motor Company's resurgence in recent years. Let me just say that since 1946, from the standpoint of profit goals, of determining the amounts of dividend payments, of financing new plant and facilities and in every other operating particular, the policies of Ford Motor Company have been exactly the same as they would have been had we actually been held accountable by hundreds of thousands of stockholders.

I remember the old livery stable owner next door to my dad's blacksmith shop who once said to me, "If you're lucky enough, you will not need any brains." Gentlemen, we at Ford Motor Company would be the first to admit that we have been lucky. We were lucky we had time to do this job. We had time to get ready for the buyer's market, and we made enough money, together with funds from our depreciation accruals, to rebuild our plants, modernize manufacturing methods and not only to catch up but to step out in front in engineering and design of products. In fact, we believe we have leadership in all three areas today. Sure we have been lucky. But every one of our competitors had exactly the same opportunity.

Just two years ago Ford Motor Company celebrated its 50th anniversary. We are proud of the company and of its achievements, but we are looking forward eagerly to the future. In my opinion, the company has only started to grow. We have a host of younger executives who are taking over heavy management responsibilities. You will be hearing more about these young men from now on.

One reason, perhaps, that all of us are so enthusiastic about the future of our industry is that we are not in the automobile business alone: we are in the business of providing mass transportation on an individual basis. The truth is that the automobile has satisfied a deep-seated craving on the part of the American people for freedom, for the opportunity to go their own way. Every man is every other man's equal when he drives on the American Road. We all love this freedom to travel as we want—except, of course, in a Manhattan traffic jam. The ability of the great mass of Americans to own automobiles has changed our entire mode of living.

All credit to the pioneers of the automobile industry! We of a later generation are grateful for the heritage they have left to us. But with continuing technological progress, we realize that the mass-produced custom transportation of the future may take other forms. When the time comes for change, we shall be ready.

Electronic devices, new fuels, new motors, new materials are being developed. Without doubt, our 1955 models will appear just as obsolete ten years from now as the Model T looks to us today. Who dares even guess what effects atomic power will have upon our industry?

Optimism Well-Grounded

If I sound optimistic tonight, I believe there is good reason. Over the years our American system has proved itself adaptable to social, economic and technological changes. A large part of this success has been due to the energy, ingenuity and confidence with which problems have been attacked. In addressing the Investment Bankers Association in 1953, I made the following statement regarding our management philosophy at Ford Motor Company:

"We believe that, as a small part of American management, it is our business to make trends, not to follow them. The best way to assure a slack 1954 would be for everyone to run for the storm cellar. If, on the other hand, management is confident, plans courageously but intelligently and is willing to take risks and encourage competition, we can turn back the elements and create our own good climate. Our economy has thrived in the past for just those reasons."

The year 1954 turned out to be only the second best year in business history.

It is no accident that there is such a great demand for our 1955 models. The cars themselves have created the consumer demand that has surprised so many people. Under this great competitive system of ours, alert managements in many industries, backed up by risk capital and aided by imaginative research and engineering, are developing products that will maintain a high level of consumer demand for years to come.

A spirit of optimism and confidence pervades the American scene. Having problems to solve only makes the game more interesting. Given a continuation of the blessings of our great country, the future should be replete with opportunities. I envy the young men of today.

Savannah Electric Common Stk. Offered

Public offering of 165,000 shares of Savannah Electric and Power Company common stock is being made today (April 14) by a group of investment firms headed jointly by The First Boston Corp. and Stone & Webster Securities Corp. The stock is priced at $31.50 per share.

Of the offering, 100,000 shares are being sold for the account of selling stockholders and the remaining 65,000 shares for the account of the company which will use the proceeds to repay $700,000 of bank loans and to finance a part of its 1955 construction program.

Proceeds from the stockholder sale of 97,362 shares will go to Donner Family Trusts and the proceeds from the remaining 2,638 shares will be received by Donner Foundation Inc. The Donner Family Trusts and Donner Foundation were created by the late William H. Donner. After completion of this sale the Donner Family Trusts will continue to own 271,238 shares and Donner Foundation, Inc. 35,000 shares, representing in the aggregate approximately 62% of the total number of shares outstanding.

The company supplies electric service in an area in the southeast corner of Georgia which includes the city of Savannah in which are located approximately 78% of the company's customers. Operating revenues in 1954 were $7,349,327 and net income of $1,163,886 was equal to $2.35 per share on the common stock. On Jan. 15, 1955 the company paid an initial dividend of 37½ cents per share on the then outstanding 425,000 shares of common stock. Another dividend of similar amount has been declared payable April 15 to stockholders of record April 1. Purchasers of the common stock in this offering will not receive this dividend.

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Stanley Shepard, Jr., is now with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

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The State of Trade and Industry

With a steel price increase likely at mid-year, steel in inventory will be better than money in the bank, this trade paper points out.

The last general increase in steel prices was last July, following a steelworkers' wage increase. "Steel's" price composite on finished steel at the mill level holds at $118.40 a net ton. There were some minor price changes, however. Steel warehouses continue to raise prices on seconds and waster sheets. At Chicago, the average boost was $7 a ton. These items rise and fall in relation to demand for prime sheets. Prices of prime products are stable, "Steel" concludes.

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 95.0% of capacity for the week beginning April 11, 1955, equivalent to 2,292,000 tons of ingots and steel for castings as compared with 95.3% (revised) and 2,300,000 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 94.2% and production 2,273,000 tons. A year ago the actual weekly production was placed at 1,622,000 tons or 68.0%. 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 Holds To Lower Course in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 9, 1955, was estimated at 9,633,000,000 kwh., according to the Edison Electric Institute.

This week's output declined 171,000,000 kwh. below that of the previous week, when the actual output stood at 9,804,000,000 kwh., it increased 1,237,000,000 kwh., or 14.7% above the comparable 1954 week and 1,632,000,000 kwh. over the like week in 1953.

Car Loadings Continued to Be Affected by Labor Trouble But Rose 3.1% Above the Preceding Week

Loadings of revenue freight for the week ended April 2, 1955, which was affected by a continuation of labor trouble on several railroads in the Southern District, increased 19,612 cars, or 3.1% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended April 2, 1955, totaled 659,059 cars, an increase of 59,757 cars, or 10% above the corresponding 1954 week, but a decrease of 45,458 cars, or 6.5% below the corresponding week in 1953.

U. S. Automotive Output Declined About 5% Below Previous Week Due to Good Friday and Easter Week-End Observance

The automobile industry for the latest week ended April 8, 1955, according to "Ward's Automotive Reports," assembled an estimated 169,044 cars, compared with 177,295 (revised) in the previous week. The past week's production total of cars and trucks amounted to 197,801 units, a decline below the preceding week's output of 8,461 units, due to observance of Good Friday and the Easter week-end, states "Ward's." Last week's car output fell below that of the previous week by 8,251 cars and truck output by 210 vehicles during the week. In the corresponding week last year 119,554 cars were assembled.

Last week, the agency reported there were 28,757 trucks made in the United States. This compared with 28,967 in the previous week and 22,004 a year ago.

Canadian output last week was placed at 8,206 cars and 1,700 trucks. In the previous week Dominion plants built 10,123 cars and 2,052 trucks, and for the comparable 1954 week 8,516 cars and 2,012 trucks.

Business Failures Hold Below Prior Year's Level for Fourth Consecutive Week

Commercial and industrial failures declined slightly to 211 in the week ended April 7 from 237 in the preceding week, Dun & Bradstreet, Inc., reported. For the fourth consecutive week, casualties remained below last year's level; they compared with 246 a year ago, but exceeded the 140 recorded in the similar week of 1953. Continuing below the prewar level, mortality was down 28% from the toll of 295 in 1939.

Failures involving liabilities of $5,000 or more dipped to 174 from 193 in the previous week, and were considerably below the 208 a year ago. There was also a decline among small casualties under 5,000, which fell off to 37 from 44 a week ago and 38 last year. Liabilities in excess of $100,000 were incurred by 18 of the week's casualties as compared with 20 in the preceding week.

Wholesale Food Price Index Falls to Lowest Level for Year

The general trend in foodstuffs continued downward the past week. The wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped to $6.49 as of April 5, from $6.52 a week previous. This was a new low for 1955 and the lowest level reached since Nov. 3, 1953, when it stood at $6.48. The latest figure at $6.49 compared with $7.40 last year, a decline of 12.3%.

Higher in wholesale cost last week were lard, butter, cottonseed oil, eggs, potatoes, raisins and currants. Lower were flour, wheat, corn, rye, oats, barley, beef, hams, bellies, sugar, cocoa, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registered Moderate Decline the Past Week

The general commodity price level dipped moderately toward the end of the week bringing the Dun & Bradstreet daily wholesale commodity price index for April 5 down to 274.06. This compared with 276.76 a week previous and with 276.97 on the like date a year ago.

Grain markets continued irregular with prices generally working lower for the third successive week.

Wheat displayed strength at times influenced by reports of severe dust storms in some parts of the belt. Some sections of the drought area, however, received substantial snowfall during the week and conditions generally over the Winter wheat belt are said to be good. Corn was inclined to weakness despite small country offerings. Oats showed comparative firmness with some buying influenced by reports of damage to Spring oats as the result of freezing weather. Rye was influenced by the action in wheat and closed lower for the week. Export trade in grains generally continued slow. Daily average sales of grain and soybean futures on the Chicago Board of Trade last week totaled 42,100,000 bushels, against 47,200,000 the week before and 48,700,000 a year ago.

Trading in coffee futures was active as prices moved sharply higher on reports that Brazil and other producing countries would get together on a constructive program to stabilize prices.

Trading in the spot coffee market was not so active but prices were firm in sympathy with futures.

Weakness in cocoa persisted reflecting lagging manufacturer interest in the spot market and reduced asking prices for African cocoa. The downward course of prices has been extended to the ninth straight week. Lard displayed a firm undertone largely aided by a substantial volume of export business principally to Great Britain. Under fairly broad shipping demand, hog values held firm most of the week but declined sharply at the close as demand subsided. Steer prices were also lower for the week largely reflecting increased marketings.

Spot cotton prices declined in the early part of the week but turned upward in the latter half to register a moderate net gain for the period.

Early weakness was attributed to continued uncertainty as to the Government export policy in the new season and the unfavorable carry-over outlook.

Aggressive trading, buying and short covering in late dealings were stimulated by the unexpected advance in the mid-March parity price and a report that there would be no increase this year in the previously established acreage allotment. The parity price rose 12 points to 35.34 cents as of March 15. Sales in the 14 markets continued limited but were moderately above the small volume of recent weeks.

Trade Volume in Pre-Easter Week Rose Considerably Above Week and Like Period a Year Ago

Holiday shopping lifted the dollar volume of retail sales in the period ended on Wednesday of last week to a markedly higher level than in the preceding week.

Total trade was considerably greater than in the same calendar period last year and moderately above the pre-Easter week of 1954.

Retailers reported that medium- and higher-priced merchandise moved relatively faster than did budget items. Suburban areas continued to have better gains than did downtown centers.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 7 to 11% above a year ago. Regional estimates varied from the corresponding 1954 levels by the following percentages: Pacific Coast +3 to +7; Northwest +4 to +8; New England +5 to +9; East +6 to +10; Southwest +8 to +12; South +9 to +13 and Midwest +10 to +14.

Apparel, traditionally selling well at this time, was in heavy demand. Women's coats, suits and accessories were popular, although sales of dresses and sportswear lagged somewhat. The demand for men's and children's clothing increased.

While the demand for furniture, floor coverings, curtains, kitchenwares and phonograph records edged higher, major appliances and television sets were less popular than last year at this time.

Decreased trade in apparel and textiles in the period ended on Wednesday of last week was compensated for by heavier orders for food and furniture, with the result that over-all buying in the wholesale markets was unchanged from a week ago. Several contra-seasonal trends were noted, but, as in recent weeks, total sales were considerably higher than in the corresponding period of 1954.

Department store sales on a country wide basis a taken from the Federal Reserve Board's index for the week ended April 2, 1955, advanced 11% from the like period last year. In the preceding week March 26, 1955, a rise of 3% (revised) was registered from that of the similar period of 1954, while for the four weeks ended April 2, 1955, an increase of 9% was recorded. For the period Jan. 1, 1955 to April 2, 1955, a gain of 7% was registered above that of 1954.

Retail sales volume in New York City last week showed little change from that of the like period a year ago, according to trade observers.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 2, 1955, advanced 6% above that of the like period of last year. In the preceding week, March 26, 1955, a revision in the previous figure shows no change was recorded. For the four weeks ending April 2, 1955, an increase of 5% occurred. For the period Jan. 1, 1955 to April 2, 1955 the index advanced 2% from that of 1954.

Lindly Stock Offered By Aetna Securities

Offering of 200,000 shares of common stock of Lindly & Co., Inc. was made on April 12 by Aetna Securities Corp., New York City, at $1.50 per share.

Lindly & Co., Inc. is engaged in the business of designing developing and manufacturing photoelectric and other electronic items, and optical and mechanical instruments and tools, for military and civilian use.

The corporation has also developed, built and tested, and is now ready to engage in the manufacture of, an automatic fabric inspection machine and seam jumper, for which the company has a number of firm orders. The new machine automatically detects defects such as knots, thick places, thin places, etc. in fabrics and defines or marks the defect area.

Chicago Analysts to Hear

CHICAGO, ILL.—The members of the Investment Analysts Society of Chicago are invited to be the guests of Consolidated Edison Company of New York at a special luncheon meeting, Wednesday, April 20, 1955 at 12:15 p.m., Grand Ballroom, Midland Hotel. A slide talk presentation on Consolidated Edison Company will be made, by C. B. Delafield, Vice-President. Accompanying Mr. Delafield will be H. S. Sutton, Treasurer, and Sherman M. Hall, Assistant to Treasurer.

Consolidated Edison Company of New York, serving New York City and Westchester County, is the largest electric utility in the country from the standpoint of gross revenues. Of particular interest is the company's recently announced plan to build a 236,000 kw. generating plant powered by nuclear energy. This will be the first such plant to be built entirely with private funds.

With Merrill Lynch

(Special to The Financial Chronicle)

BOSTON, Mass. — David R. Palmer is now with Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street.

With Renyx, Field

(Special to The Financial Chronicle)

FALL RIVER, Mass.—Roger G. Fournier has joined the staff of Renyx, Field & Co.

J. L. Brady Adds

(Special to The Financial Chronicle)

WORCESTER, Mass.—Paul K. Gallant has become connected with J. L. Brady & Co., 21 Elm Street.

With King Merritt Co.

(Special to The Financial Chronicle)

PONTIAC, Mich. — Samuel B. Ritchie is now affiliated with King Merritt & Co., Inc.

W. R. Olson Adds

(Special to The Financial Chronicle)

FERGUS FALLS, Minn.—Leonard G. Johnson is now connected with W. R. Olson Company, 112 South Mill Street.

Joins King Merritt

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — John H. Klinkenborg is now connected with King Merritt & Co., Inc.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Ben A. Dietz has become connected with Minneapolis Associates, Inc., Rand Tower.

With Barrett Herrick

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—John C. Meyers is now connected with Barrett Herrick & Co., Inc., 418 Locust Street.

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Securities Salesman's Corner

By JOHN DUTTON

Off Beat Salesmanship

Over-zealousness, a lack of training and experience, or the inability to stick to the facts, sometimes leads a few salesmen to use selling methods that are not a credit to them, their firm, or the industry which they represent. Today, we don't have too many cases of misrepresentation and high pressure selling, but they do crop up once in a while. Here's one that came to my attention recently.

A friend of mine received a telephone call at his office from a prospect who said that he wanted to ask some questions concerning Mutual Funds. This call was from a complete stranger and, after a short conversation, an appointment was made to call on the prospect the same afternoon as the day of the telephone call. In this instance the prospect was quite anxious to have the salesman call.

Upon arriving at his home my friend was greeted by an elderly man and his wife who appeared to be somewhat agitated. It developed that a salesman (in this case it happened to be a saleslady) had called just about an hour before the prospect had made the telephone call to my friend and she had put on such a high-pressure show that these nice, old people were all in a daze. They had some funds for investment and were interested in Mutual Funds, but they seemed to sense the fact that there might be something more they should learn before making this investment.

Confidence Is Destroyed

One sure way to lose sales is to press too hard for the order. What had happened in this case was that these elderly people were very much interested in making an investment that would bring them a steady income, but the high-pressure tactics of the first salesman scared them to the extent that they actually picked up a telephone and called another broker to verify the information that was given them. They liked the idea but the crude salesmanship used upon them almost killed their desire to make any investment.

They began by asking my friend some questions. As to yield on a particular fund they had been told that it was 6.7% and he answered correctly that it was 4.3%. The 6.7% return was based upon the month-end average offered price for 1954 and the correct current return on today's price was 4.3%. The old couple couldn't understand but the facts were finally shown to them and they were in more of a muddle than ever.

Then the phone rang as they were sitting in their living room talking with the second salesman. It was saleslady number one. She excitedly told them that unless they bought today they would lose a 0.14 cent dividend when the fund went ex-dividend tomorrow. The second salesman answered this point truthfully and told them the facts which should be familiar to all salesmen of Mutual Funds. Believe it or not, the telephone rang again about five minutes later and it was the same high-pressure saleslady with another annoying call. By this time the old couple were thoroughly upset and on top of it all the husband had been suffering from a heart condition, and this sort of goings-on were not too good for him.

After more questions which my friend carefully and slowly answered, he was asked, "If I invest $10,000 in this fund I understand that you only make $150, is that right?" Obviously the first salesman had even used this sort of argument and it was still in the prospect's mind. The prospect was told that the mark-up on this fund was over 8% and that he was paying over $800 as a distribution cost of the fund. He was also told why this cost was justified.

Such selling methods as these have no place in the investment business. They are unsound, they will lead to disillusionment on the part of the unsophisticated investors, and any salesman that attempts to build a clientele by using such tactics may make some sales due to his or her energy and persistence, but because of no other reason. It is hit-and-run high pressure that has no place in the securities business of today.

There are enough sound reasons for the purchase of Mutual Funds without misrepresenting the yield, the load, or annoying people. Besides, if there ever was a nonsensical argument in favor of the purchase of anything it is the fact that the salesman only makes a small commission. No one cares what the salesman makes, except himself and his creditors. Certainly not his prospects. They want to know what he is offering WILL DO FOR THEM.

$111,980,000 New Housing Authority Bonds Offered to Investors

Blyth - Phelps, Fenn - Lehman and Associate Managers Group submits high bids for all of the 18 individual issues involved in sale.

A nation-wide investment banking group, headed by Blyth & Co. Inc., Phelps, Fenn & Co., Lehman Brothers, Shields & Company, The First Boston Corporation, Goldman, Sachs & Co., Harriman Ripley & Co. Incorporated, Smith, Barney & Co. and R. W. Pressprich & Co. were successful bidders for the entire amount of $111,980,000 of new Housing Authority bonds offered at competitive bidding by 18 local housing authorities on April 13.

Competition for these issues was one of the keenest in the 13 public sales at competitive bidding to date. In the case of the $27,470,000 Detroit Housing Authority bonds, for instance, the difference between the first and second bids was as little as 27 cents a $1,000 bond, while the difference in the two bids for all the bonds was only $2.78 per bond. Giving effect to the current sale, approximately $1,732,874,000 of such bonds are outstanding.

The bonds, which mature variously from 1956 through 1996, are being offered according to three scales. Carrying 2⅜% coupons, the bonds issued by the housing authorities of Connellsville, Westmoreland County, and Allegheny County, Pa., were reoffered at prices to yield from 1% in 1956 to 2.40% for the last five maturities, 1991-95. The 2½% bonds sold by Louisville, Ky., Evansville, Ind., Columbus, Ohio, and Dayton, Ohio, were reoffered at prices to yield from 1% in 1956 to 2.50% for the 1991-96 maturities. The 2½s issued by Akron, Hamilton, Portsmouth, Toledo, Warren, Zanesville, all of Ohio; Galveston, Texas; Detroit, Mich.; Los Angeles, Calif., and New York City, were reoffered at prices to yield from 1% in 1956 to 2.55% for the 1991-96 maturities. The $1,200,000 in 2⅜% bonds issued by Gloucester, Mass., were not reoffered publicly.

The new bonds are callable, at the option of the issuer, 10 years from their date, May 1, 1954, at 104 and declining in premium at five-year periods thereafter. Interest on the bonds is exempt from all Federal income taxes and is generally exempt from local taxes in the states or territories of the issuer. Although the bonds are obligations of the issuing authorities, payment of the principal and interest is provided by annual contributions by the U. S. Government through the Public Housing Administration.

The issues just marketed were:

Housing Authority	Amount
New York City	$29,245,000
Detroit, Mich.	27,470,000
Los Angeles, Calif.	15,420,000
Louisville, Ky.	7,245,000
Columbus, Ohio	5,090,000
Toledo, Ohio	4,955,000
Allegheny Co., Pa.	4,390,000
Dayton, Ohio	3,995,000
Akron, Ohio	3,255,000
Westmoreland Co. Pa.	1,815,000
Portsmouth, Ohio	1,445,000
Zanesville, Ohio	1,360,000
Galveston, Texas	1,280,000
Gloucester, Mass.	1,200,000
Connellsville, Pa.	1,170,000
Evansville, Ind.	1,115,000
Warren, Ohio	955,000
Hamilton, Ohio	575,000

Two With Federated Secs.

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, LA. — Raymond J. Frelk and Willie J. Whitney have become connected with Federated Securities Corporation, Louisiana National Bank Building.

Edwards & Hanly Admit

HEMPSTEAD, N. Y.—Edwards & Hanly, 100 North Franklin Street, members of the New York Stock Exchange, will admit Mark D. Scher and Edward A. Talbot to a partnership on April 21st.

Two With Smith La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—Robert W. Johnson and Richard C. Nelson have become affiliated with Smith, La Hue & Co., Pioneer Building.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Richard J. Dunlap has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Saloman Bros. Branch

WEST PALM BEACH, FLA.—Salomon Bros. & Hutzler, members of the New York Stock Exchange have opened a branch office at 307 North Dixie Street. Henry F. Ludeman will be resident partner.

Joins Harold E. Wood

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—Herbert G. Lancaster has become connected with Harold E. Wood & Co., First National Bank Building. Mr. Lancaster was previously with John Nuveen & Co.

A Real "Gold Mine"

By ROGER W. BABSON

Mr. Babson, in pointing out the growing number of physically handicapped in the nation, advocates they be trained in creative intellectual work, and, in this way, $2 billion per year, now lost, could be saved. Praises private organizations for the relief of the handicapped, and forecasts that the now submerged physically handicapped can truly become "gold mines."

This week we will forget the stock market and consider something much more important, namely, some very valuable brain power which is going to waste. I have in mind especially the brains of some of the so-called "physically handicapped."

Roger W. Babson

There are 165 million people in the U. S. I estimate that about 500,000 of these are handicapped from polio and other diseases; 1,500,000 are living disabled veterans from World Wars I and II; over 1,000,000 are crippled from accidents; and about 150,000 are totally blind. There are many more suffering from total deafness and even inability to speak. These add up to 3,150,000, of which at least 1,000,000 have not the opportunity to make full use of their inherent talents.

Although they have pretty much been supplied with jobs of a kind, these 1,000,000 have not—as a rule—such jobs as will enable them to use their brains as they would like. This especially applies to those in wheel chairs and on crutches because—quoting an employer: "A wheel chair messes up the routine of the office or factory." In these days of keen competition management fears anything which might interfere with the flow of products or sales.

Money versus Opportunities

The situation is becoming worse every year due to increasing automobile accidents, of which 36,000 resulted last year in deaths for which there were total awards of perhaps $400,000,000. Some will say that the non-fatal accidents and even polio can be offset by insurance, as are certain veteran incapacities, but there is no insurance which gives new limbs, new eyes, or even a fair chance to use one's brain. Yet, our brains are our most wonderful and valuable asset.

It is not more government money these physically handicapped need, but more opportunity to do creative intellectual work. Remember that in the above figures I am not including any medical or emotional mental cases. I am interested here in those who have distinct talents. Although the many unselfish agents and counsellors of the Federal and State Governments are doing excellent work with the funds available, they deserve much more help.

Let Us Save Over $2,000,000,000 Per Year

I estimate that of the above groups, one million adults are today able to use fully their brains and talents. However, much of this creative brain power and special talent is being overlooked. This is unfair to the nation, as well as to these people. Just think, with one millon of these brains now idle, 8,000,000 working hours are lost daily, or more than 2,000,000,000 are lost each year. Based on only one dollar per hour, this means a loss of over $2,000,000,000 per year.

To understand what the loss of these one million adult workers means, consider any city of about 3,000,000 population, such as Detroit, Boston, San Francisco, or Pittsburgh, any one of which has 1,000,000 adult workers. This means the loss of as much creative brain power as is now engaged in the entire production work of one of the above cities. In saying this, I include bankers, merchants, professional men, as well as wage-workers.

Praise for Private Organizations

Let me applaud all those private organizations now engaged in helping unfortunates. I particularly have in mind certain Societies to Help the Blind, the National T. B. Association, the National Association for Infantile Paralysis, the National Society for Crippled Children and Adults, the American Heart Association, the American Hearing Society, the Disabled Veterans Organizations, the U. S. and State Employment Services, and the Goodwill Industries of America, founded on a shoestring by a personal friend of mine, and now distributing annually the equivalent of $25,000,000 in useful work. The public little realizes the rewards which would come to the nation by activating these one million creative brains and submerged talents.

I forecast that these submerged physically handicapped, who are mentally talented and alert, can truly become "gold mines." I only wish I were younger and could devote my life to harnessing these brains, talents, imaginations, and visions. Many of them could become inventors of great note, from which the nation as a whole would benefit.

Williamson Par Three Stock at $1.25 a Share

E. E. Smith Co., New York City, is offering as a speculation 133,000 shares of Williamson Par Three, Inc. capital stock at a price of $1.25 per share.

Net proceeds from the sale of the stock will be used by the company for the purchase of property as the site for a par three golf course; for the construction of the course and clubhouse; and for operating expenses and incidentals during the first year of operation.

Williamson Par Three, Inc. was incorporated in Florida on Nov. 4, 1954, to construct manage and operate golf courses on real estate owned or leased by the corporation. The company has acquired an option to purchase real property at Daytona Beach Fla. This property approximates 35 acres on which the company plans to construct a par three, 18 hole golf course as well as a driving range. The total par of the course will be 54, each hole having a par of three with a yardage range from 70 to approximately 145 yards. It is intended that at least nine holes of the course will be completely lighted so that golf may be played at night. Operation of the course is expected to begin in the fall of 1955.

Elected Director

At the annual meeting of stockholders of R. Hoe & Co., Inc., printing press and saw manufacturer, Alex P. Herrington, manager of W. L. Lyons & Co., investment brokers, Lexington, Ky., was elected a director to represent Class A stockholders for a three year term expiring April 1958.

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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. 17	§95.0	*95.3	94.2	68.0
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 17	§2,282,000	*2,300,000	2,273,000	1,622,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 1	6,807,350	6,862,600	6,806,200	6,486,250
Crude runs to stills—daily average (bbls.)	Apr. 1	¶7,206,000	7,334,000	7,462,000	6,761,000
Gasoline output (bbls.)	Apr. 1	23,771,000	*23,990,000	24,553,000	22,858,000
Kerosene output (bbls.)	Apr. 1	2,313,000	*2,273,000	2,434,000	2,233,000
Distillate fuel oil output (bbls.)	Apr. 1	11,774,000	*11,831,000	12,784,000	10,058,000
Residual fuel oil output (bbls.)	Apr. 1	7,915,000	*8,154,000	8,263,000	8,025,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 1	185,282,000	184,157,000	182,343,000	179,674,000
Kerosene (bbls.) at	Apr. 1	18,620,000	18,890,000	18,873,000	17,447,000
Distillate fuel oil (bbls.) at	Apr. 1	61,850,000	62,657,000	65,932,000	59,551,000
Residual fuel oil (bbls.) at	Apr. 1	44,634,000	46,050,000	44,298,000	43,718,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 2	659,059	639,447	658,975	599,302
Revenue freight received from connections (no. of cars)	Apr. 2	620,396	598,039	648,870	580,366
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 7	$335,015,000	$335,750,000	$358,229,000	$314,283,000
Private construction	Apr. 7	156,706,000	245,535,000	238,691,000	184,370,000
Public construction	Apr. 7	178,309,000	90,215,000	119,538,000	129,913,000
State and municipal	Apr. 7	150,330,000	71,840,000	91,549,000	105,861,000
Federal	Apr. 7	27,979,000	18,375,000	27,989,000	24,052,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 2	7,350,000	7,900,000	7,780,000	6,032,000
Pennsylvania anthracite (tons)	Apr. 2	455,000	374,000	399,000	465,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 2	114	*103	98	103
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 9	9,633,000	9,804,000	9,726,000	8,396,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 7	211	237	257	246
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 5	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Apr. 5	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Apr. 5	$37.00	$37.00	$37.58	$24.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 6	35.700c	33.800c	32.700c	29.700c
Export refinery at	Apr. 6	39.275c	39.250c	35.775c	29.325c
Straits tin (New York) at	Apr. 6	91.250c	91.125c	90.875c	94.500c
Lead (New York) at	Apr. 6	15.000c	15.000c	15.000c	13.750c
Lead (St. Louis) at	Apr. 6	14.800c	14.800c	14.800c	13.550c
Zinc (East St. Louis) at	Apr. 6	12.000c	11.500c	11.500c	10.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 12	96.31	96.30	97.11	100.38
Average corporate	Apr. 12	109.42	109.42	109.24	111.07
Aaa	Apr. 12	112.93	112.93	112.56	116.02
Aa	Apr. 12	110.88	110.88	110.70	113.31
A	Apr. 12	109.60	109.79	109.60	110.34
Baa	Apr. 12	104.48	104.48	104.31	104.83
Railroad Group	Apr. 12	107.62	107.62	107.44	109.79
Public Utilities Group	Apr. 12	109.97	110.15	109.97	110.88
Industrials Group	Apr. 12	110.52	110.52	110.15	112.37
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 12	2.77	2.77	2.71	2.47
Average corporate	Apr. 12	3.20	3.20	3.21	3.11
Aaa	Apr. 12	3.01	3.01	3.03	2.85
Aa	Apr. 12	3.12	3.13	3.13	2.99
A	Apr. 12	3.19	3.18	3.19	3.15
Baa	Apr. 12	3.48	3.48	3.49	3.46
Railroad Group	Apr. 12	3.30	3.30	3.31	3.[illegible]
Public Utilities Group	Apr. 12	3.17	3.16	3.17	3.1[illegible]
Industrials Group	Apr. 12	3.14	3.14	3.16	3.0[illegible]
MOODY'S COMMODITY INDEX	Apr. 12	403.6	400.6	394.4	436.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 2	336,760	242,594	406,459	298,123
Production (tons)	Apr. 2	271,066	267,445	266,804	225,519
Percentage of activity	Apr. 2	95	95	96	89
Unfilled orders (tons) at end of period	Apr. 2	515,670	451,822	523,368	424,943
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Apr. 8	107.11	107.07	107.45	108.12
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. 26	1,253,152	1,538,967	1,214,148	876,370
Dollar value	Mar. 26	$67,665,162	$80,834,406	$59,853,652	$38,843,567
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 26	1,143,902	1,565,782	1,055,167	904,939
Customers' short sales	Mar. 26	7,983	11,510	5,289	8,213
Customers' other sales	Mar. 26	1,135,919	1,554,272	1,049,878	896,726
Dollar value	Mar. 26	$57,768,454	$78,572,088	$49,958,364	$38,079,679
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 26	314,080	427,350	259,590	322,810
Short sales	Mar. 26				
Other sales	Mar. 26	314,080	427,350	259,590	322,810
Round-lot purchases by dealers—					
Number of shares	Mar. 26	431,350	439,740	436,680	258,710
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. 19	537,400	498,490	753,120	320,360
Other sales	Mar. 19	14,783,150	16,522,120	17,615,050	8,937,540
Total sales	Mar. 19	15,320,550	17,020,610	18,368,170	9,257,900
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 19	2,042,670	2,303,570	1,922,740	972,830
Short sales	Mar. 19	268,620	286,100	417,030	162,390
Other sales	Mar. 19	1,801,010	1,831,170	1,540,190	766,890
Total sales	Mar. 19	2,069,630	2,117,270	1,957,220	929,280
Other transactions initiated on the floor—					
Total purchases	Mar. 19	396,140	361,560	294,500	291,230
Short sales	Mar. 19	35,820	30,100	29,100	12,900
Other sales	Mar. 19	350,350	428,610	355,700	267,420
Total sales	Mar. 19	386,170	458,710	384,800	280,320
Other transactions initiated off the floor—					
Total purchases	Mar. 19	562,820	559,100	647,580	393,193
Short sales	Mar. 19	75,820	68,920	114,430	39,040
Other sales	Mar. 19	548,775	670,620	932,066	356,877
Total sales	Mar. 19	624,595	739,540	1,046,496	395,917
Total round-lot transactions for account of members—					
Total purchases	Mar. 19	3,001,630	3,224,230	2,864,820	1,657,253
Short sales	Mar. 19	380,260	385,120	560,560	214,330
Other sales	Mar. 19	2,700,135	2,930,400	2,827,956	1,391,187
Total sales	Mar. 19	3,080,395	3,315,520	3,388,516	1,605,517
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 5	110.3	110.5	110.1	110.9
Farm products	Apr. 5	92.7	93.8	92.6	100.2
Processed foods	Apr. 5	103.1	103.7	102.0	105.1
Meats	Apr. 5	85.0	86.8	81.3	93.9
All commodities other than farm and foods	Apr. 5	115.6	115.5	115.5	114.5

*Revised figure. ¶Includes 689,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of January	128,203	127,035	116,247
Stocks of aluminum (short tons) end of Jan.	20,041	21,144	42,735
AMERICAN PETROLEUM INSTITUTE—Month of January:			
Total domestic production (barrels of 42 gallons each)	232,789,000	220,990,000	214,810,000
Domestic crude oil output (barrels)	209,600,000	198,213,000	193,453,000
Natural gasoline output (barrels)	23,127,000	22,724,000	21,323,000
Benzol output (barrels)	62,000	53,000	34,000
Crude Oil imports (barrels)	22,922,000	22,589,000	19,144,000
Refined products imports (barrels)	18,872,000	17,751,000	14,815,000
Indicated consumption domestic and export (barrels)	288,339,000	298,249,000	277,239,000
Decrease all stock (barrels)	13,756,000	36,919,000	28,473,000
AMERICAN ZINC INSTITUTE INC.—Month of March:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	89,179	*78,977	71,186
Shipments (tons of 2,000 pounds)	94,507	99,964	70,080
Stocks at end of period (tons)	90,837	*96,165	201,100
Unfilled orders at end of period (tons)	60,057	54,527	37,029
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal lignite (net tons)	37,150,000	35,100,000	31,714,000
Pennsylvania anthracite (net tons)	1,827,000	*2,442,000	2,204,000
COKE (BUREAU OF MINES)—Month of Feb.:			
Production (net tons)	5,395,936	*5,805,926	4,888,217
Oven coke (net tons)	5,328,623	*5,745,421	4,824,295
Beehive coke (net tons)	67,313	*60,505	63,922
Oven coke stock at end of month (net tons)	2,612,864	2,747,638	2,744,377
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of March:			
Adjusted for seasonal variations	112	112	118
Without seasonal adjustment	99	88	91
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of February:			
Gas-fired furnace shipments (units)	46,100	46,800	31,600
Gas conversion burner shipments (units)	5,700	5,200	8,700
Gas operated boiler shipments (units)	3,600	3,200	3,000
Domestic gas range shipments (units)	193,900	155,100	152,900
Gas water heater shipments (units)	218,500	*200,000	175,000
METAL OUTPUT (BUREAU OF MINES)—Month of January:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	144,641	142,133	152,645
Silver (in fine ounces)	3,145,906	3,038,860	2,953,672
Copper (in short tons)	82,744	81,417	74,687
Lead (in short tons)	27,837	*28,230	24,946
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of March:			
Copper (per pound)—			
Electrolytic domestic refinery	32.935c	32.700c	29.686c
Electrolytic export refinery	37.314c	36.236c	29.168c
Lead—			
Common, New York (per pound)	15.000c	15.000c	12.935c
Common, St. Louis (per pound)	14.800c	14.800c	12.735c
‡‡Prompt, London (per long ton)	£104.005	£103.669	£86.356
††Three months, London (per long ton)	£103.117	£103.475	£85.250
¶Antimony, New York Boxed	31.970c	31.970c	31.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	28.500c
Antimony (per pound) Laredo	29.000c	29.000c	29.000c
Platinum, refined (per ounce)	$78.500	$78.545	$86.889
Zinc (per pound)—East St. Louis	11.500c	11.500c	9.637c
††Zinc, London, prompt (per long ton)	£88.247	£89.456	£74.258
††Zinc, London, three months (per long ton)	£87.152	£87.531	£73.079
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.72500
§Cadmium (per pound)	$1.70000	$1.70000	$1.75000
Cobalt, 97%	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	87.250c	85.250c	85.250c
Silver, London (pence per ounce)	75.902	74.088	73.728
Sterling Exchange (Check)	$2.79143	$2.78360	$2.81448
Tin, New York Straits	91.106c	90.835c	91.833c
§§New York, 99% min.	90.106c	89.835c	90.833c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$321.556	$322.000	$200.444
Aluminum, 99% plus ingot (per pound)	23.200c	23.200c	21.500c
Magnesium ingot (per pound)	27.556c	27.000c	27.000c
**Nickel	64.500c	64.500c	60.000c
Bisumth (per pound	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Mar.:			
Industrials (125)	4.13	4.14	5.07
Railroads (25)	4.79	4.79	6.70
Utilities (not incl. Amer. Tel & Tel.) (24)	4.54	4.40	5.00
Banks (15)	3.89	4.06	4.81
Insurance (10)	2.58	2.51	3.17
Average (200)	4.21	4.21	5.14
PORTLAND CEMENT (BUREAU OF MINES)—Month of January:			
Production (barrels)	20,231,000	22,290,000	17,769,000
Shipments from mills (barrels)	13,314,000	16,347,000	11,143,000
Stocks (at end of month—barrels)	23,434,000	16,675,000	25,869,000
Capacity used	81	89	74
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of February:			
Total operating revenues	$724,335,469	$752,741,347	$719,367,083
Total operating expenses	564,101,448	590,002,298	584,592,156
Operating ratio	77.88	78.38	81.26
Taxes	$73,783,955	$74,547,270	$69,979,156
Net railway operating income before charges	66,604,264	68,660,196	44,073,594
Net income after charges (estimated)	46,000,000	52,000,000	23,000,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of March 31	$274,080,432	$278,208,902	$270,312,455
General fund balances	5,150,785	5,410,512	6,354,530
Net debt	$268,929,647	$272,798,390	$263,957,925
Computed annual rate	2.334%	2.311%	2.334%
ZINC OXIDE (BUREAU OF MINES)—Month of February:			
Production (short tons)	12,537	*13,599	10,353
Shipments (short tons)	13,662	13,039	10,424
Stocks at end of month (short tons)	15,350	*16,475	19,857

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b Port Colbourne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Admiral Homes, Inc., West Newton, Pa.
March 28 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Reed, Lear & Co., Pittsburgh, Pa.

★ **Advance Exploration Co., Dallas, Texas (4/15)**
March 31 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—$1.15 per share. **Proceeds**—For equipment, working capital and general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Texas.

★ **Allied Industrial Development Corp., Dover, Del.**
April 7 (letter of notification) 300,000 shares of class A stock. **Price**—At par ($1 per share). **Proceeds**—For oil and gas activities. **Underwriter** — Paul C. Ferguson & Co., Houston, Tex.

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.

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 Electronics, Inc. (4/25-29)**
March 31 filed $1,250,000 of 5% convertible debentures due April 1, 1967. **Price**—100% and accrued interest. **Proceeds**—To retire bank loans and notes payable; for loans to subsidiaries; and for working capital. **Underwriters** — Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif.

● **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 two 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.

★ **American Uranium Mines, Inc., Seattle, Wash.**
March 21 (letter of notification) 1,889,000 shares of capital stock (par 10 cents). **Price**—12½ cents per share. **Proceeds** — For mining expenses. **Office** — 221 Lloyd Building, Seattle 1, Wash. **Underwriter**—Kirk F. Ransdell.

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.

★ **Appell Oil & Gas Corp., Alice, Texas**
March 10 (letter of notification) 4,000 shares of common stock (par 10 cents). **Price** — At market (estimated at about $1.50 per share). **Proceeds**—To Minnette Prinz, the selling stockholder. **Underwriter**—Lawrence & Murray Co., Inc., New York.

Arkansas Power & Light Co.
March 3 filed 93,500 shares of $4.72 cumulative preferred stock (par $100) being offered in exchange for outstanding 47,609 shares of $7 preferred stock and 45,891 shares of $6 preferred stock on a share-for-share basis (plus a small cash adjustment) during a period to expire on April 19. **Underwriters**—Equitable Securities Corp. and Union Securities Corp. (jointly) who will purchase any unexchanged shares at $105 per share and reoffer same at $107 per share and accrued dividends.

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.

Augusta Newspapers, Inc., Augusta, Ga. (5/2)
April 5 filed 40,000 shares of 6% cumulative preferred stock (par $10) and 50,000 shares of class A common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To acquire stock of Southeastern Newspapers, Inc.; $100,000 to be contributed to capital surplus of latter; and for general corporate purposes. **Underwriter**—Johnson, Lane, Space & Co., Savannah, Ga.

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.

★ **Awwemi Corp., Awosting, N. J.**
April 4 (letter of notification) $75,000 of secured notes due May 1, 1970 and 750 shares of common stock (no par) to be offered in units of a $100 note and one share of stock. **Price**—$100 per unit. **Proceeds** — To acquire from The Ringwood Co. certain properties and for working capital. **Office**—31 Park St., Montclair, N. J., c/o Ernest F. Kerr, Jr.

★ **Beloit Tool Corp., Beloit, Wis.**
March 24 (letter of notification) 20,000 shares of voting common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Address**—P. O. Box 30, Beloit, Wis. **Underwriter**—None.

★ **Ben Franklin Oil & Gas Corp.**
March 16 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—15 cents per share (subject to options issued in connection with a previous offer of company). **Proceeds**—For working capital. **Office**—17 Battery Place, New York, N. Y. **Underwriter**—None.

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.

★ **Bethlehem Steel Corp. (5/2)**
April 11 filed $191,659,000 3¼% 25-year convertible debentures due 1980, to be offered for subscription by common stockholders on the basis of $500 of debentures for each 25 shares of common held about May 2; rights to expire on May 23. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Un-**

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NEW ISSUE CALENDAR

April 15 (Friday)
Advance Exploration Co. ____ Common
(Southwestern Securities Co.) $276,000

April 18 (Monday)
Allied Uranium Mines, Inc. ____ Common
(H. J. Cooney & Co.) $600,000
Browne Window Mfg. Co. ____ Preferred & Common
(Wm. B. Robinson & Co.) $174,000
Holly Uranium Corp. ____ Common
(Barrett Herrick & Co., Inc. and Franklin, Meyer & Barnett) $3,150,000
Mallinckrodt Chemical Works ____ Preferred
(Newhard, Cook & Co.) $2,000,000
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
Ryder Systems, Inc. ____ Common
(Blyth & Co., Inc.) 160,000 shares

April 19 (Tuesday)
Northwest Plastics, Inc. ____ Common
(Irving J. Rice & Co. and M. H. Bishop & Co.) $300,000
Southern States Oil Co. ____ Common
(Gordon Graves & Co., Inc.) $500,000

April 20 (Wednesday)
General Telephone Co. of Michigan ____ Preferred
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp). $5,000,000
Norway (Kingdom of) ____ Bonds
(Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; Lazard Freres & Co.; and Smith, Barney & Co.) $15,000,000
Western Light & Telephone Co., Inc. ____ Common
(Offering to stockholders—underwritten by Dean Witter & Co.) 57,000 shares

April 21 (Thursday)
Corson (G. & W. H.), Inc. ____ Common
(Estabrook & Co.; De Haven & Townsend, Crouter & Bodine) 40,000 shares
Gross Telecasting, Inc. ____ Common
(Paine, Webber, Jackson & Curtis) 193,000 shares
Pacific Lighting Corp. ____ Common
(Blyth & Co., Inc.) 600,000 shares

April 22 (Friday)
Ibex Uranium, Inc. ____ Common
(Garden States Securities) $300,000

April 25 (Monday)
American Electronics, Inc. ____ Debentures
(Van Alstyne, Noel & Co. and Crowell, Weedon & Co.) $1,250,000
Astron Corp. ____ Common
(Van Alstyne, Noel & Co.) $1,000,000
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

April 26 (Tuesday)
Bridgeport Brass Co. ____ Preferred
(Offering to stockholders—underwritten by Blyth & Co., Inc.; Hornblower & Weeks; and Stone & Webster Securities Corp.) $10,127,350

April 27 (Wednesday)
Clinton Trust Co. ____ Common
(Offering to stockholders) $200,000
Collins Radio Co. ____ Preferred
(Offered to common stockholders—underwritten by Kidder, Peabody & Co. and White, Weld & Co.) $6,125,000
Sterling Drug, Inc. ____ Debentures
(Eastman Dillon & Co.) $25,000,000

Transcontinental Gas Pipe Line Corp. ____ Preferred
(White, Weld & Co. and Stone & Webster Securities Corp.) $15,000,000

April 28 (Thursday)
Sutton (O. A.) Corp., Inc. ____ Common
(F. Eberstadt & Co. and Shillinglaw, Bolger & Co.) 400,000 shares

May 2 (Monday)
Augusta Newspapers, Inc. ____ Preferred & Common
(Johnson, Lane, Space & Co.)
Bethlehem Steel Corp. ____ Debentures
(Offering to common stockholders—underwritten by Kuhn, Loeb & Co. and Smith, Barney & Co.) $191,659,000
Marlowe Chemical Co. ____ Common
(General Investing Corp.) $300,000
Stewart Oil & Gas Co. ____ Common
(Barrett Herrick & Co., Inc.) $750,000
Texas Instruments, Inc. ____ Preferred
(Offering to common stockholders—underwritten by Morgan Stanley & Co.) $4,148,625

May 10 (Tuesday)
Georgia Power Co. ____ Bonds
(Bids 11 a.m. EDT) $12,000,000
Jersey Central Power & Light Co. ____ Bonds
(Bids 11 a.m. EDT) $20,000,000
New York, Chicago & St. Louis RR. ____ Eq. Tr. Ctfs.
(Bids to be invited) $4,080,000

May 16 (Monday)
Dover Corp. ____ Common
(Cohu & Co.) 106,208 shares

May 17 (Tuesday)
Ohio Edison Co. ____ Bonds
(Bids to be invited) $30,000,000

May 18 (Wednesday)
Minerals Corp. of America ____ Common
(Vickers Brothers) $300,000

May 24 (Tuesday)
Alabama Power Co. ____ Bonds
(Bids 11 a.m. EDT) $15,000,000

June 1 (Wednesday)
Silver Creek Precision Corp. ____ Debentures
(General Investing Corp.) $600,000

June 2 (Thursday)
Consolidated Natural Gas Co. ____ Common
(Offering to stockholders—no underwriting) 738,743 shares

June 3 (Friday)
Illinois Bell Telephone Co. ____ Common
(Offering to stockholders—no underwriting) 663,469 shares

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

September 13 (Tuesday)
Utah Power & Light Co. ____ Bonds
(Bids to be invited) $15,000,000
Utah Power & Light Co. ____ Common
(Bids to be invited) 177,500 shares

November 9 (Wednesday)
Southern Co. ____ Common
(Bids to be invited) 500,000 shares

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derwriters—Kuhn, Loeb & Co. and Smith, Barney & Co., both of New York. **Offering**—Expected to be made early in May.

Black Hills Power & Light Co.
March 1 (letter of notification) 10,950 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each 23 shares held. **Price**—$26 per share. **Proceeds**—For additions and improvements to property. **Office** — Rapid City, S. D. **Underwriter**—None.

● **Bridgeport Brass Co., Bridgeport, Conn. (4/26)**
March 28 filed 202,547 shares of cumulative preferred stock (par $50) to be offered for subscription by common stockholders of record about April 26 on the basis of one preferred share for each six shares held; rights to expire on May 10. **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.

★ **Browne Window Manufacturing Co., Dallas, Texas (4/18)**
April 1 (letter of notification) 150,000 shares of 6% convertible preferred stock (par $1) and 150,000 shares of common stock (par one cent) to be offered in units of one share of each class. **Price**—$1.16 per unit. **Proceeds**—For equipment and working capital. **Underwriter**—Wm. B. Robinson & Co., Corsicana, Texas.

★ **Bureau of National Affairs, Inc.**
March 16 (letter of notification) 500 shares of common stock (no par). **Price**—$32 per share. **Proceeds**—To meet obligations and for working capital. **Office**—1231—24th Street, N. W., Washington 7, D. C. **Underwriter**—None.

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.

Carling Brewing Co., Inc., Cleveland, Ohio
March 15 (letter of notification) 3,803 shares of capital stock (par $15) to be offered for subscription by stockholders. **Price**—$40 per share. **Proceeds**—To repay loan from Canadian Breweries, Ltd. **Office** — 9400 Quincy Ave., Cleveland, O. **Underwriter**—None.

★ **Casware, Inc., Wilkes-Barre, Pa.**
March 21 (letter of notification) $300,000 of 6% convertible sinking fund debentures due March 15, 1951. **Price**—100% of principal amount. **Proceeds**—For general corporate purposes. **Office**—Second National Bank Building, Wilkes-Barre, Pa. **Underwriter**—None.

★ **Challenge Machinery Co., Grand Haven, Mich.**
March 3 (letter of notification) 1,540 shares of common stock (par $10) to be offered on a pro rata basis to stockholders. **Price** — $14 per share. **Proceeds** — For working capital. **Office**—19 North First Street, Grand Haven, Mich. **Underwriter**—None.

Chesapeake & Colorado Uranium Corp.
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.

● **Collins Radio Co. (4/27)**
April 5 filed 122,500 shares of convertible preferred stock (par $50) to be offered for subscription by class A and class B common stockholders on the basis of one new share for each 12 shares held as of April 26; rights to expire on May 11. **Price** — To be supplied by amendment. **Proceeds** — To redeem presently outstanding preferred stock and for working capital. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co., both of New York.

Commonwealth Uranium, Inc.
March 17 (letter of notification) 7,500,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office** — Suite 29, Salt Lake Stock & Mining Exchange Bldg., Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., same city.

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.

Consol. Edison Co. of New York, Inc.
April 7, 1954, filed $50,000,000 first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consolidated Fenimore Iron Mines Ltd.
Jan. 24 filed 204,586 shares of common stock (par $7), to be offered for subscription by common stockholders of record Feb. 7, 1955 at the rate of one new share for each five shares held. **Price**—$2.20 per share. **Proceeds**—From sale of this stock, plus $440,000 to be available from sale of 200,000 shares to Alator Corp. Ltd. and Yam Securities Ltd., and $175,000 treasury funds, to be used to pay for geological surveys and metallurgical research, for drilling expenses and other general corporate purposes. **Office**—Toronto, Canada. **Underwriter**—None

Consolidated Sudbury Basin Mines, Ltd., Toronto, Canada
Jan. 31 filed 3,000,000 shares of common stock (no par) **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of properties. **Underwriter**—Stock to be sold on Toronto Stock Exchange or through underwriters or selected dealers in United States.

Constellation Uranium Corp., Denver, Colo.
March 22 (letter of notification) 2,855,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—206 Mercantile Bldg., Denver, Colo. **Underwriter**—Bay Securities Corp., New York.

★ **Construction Products, Inc., Des Moines, Iowa**
March 31 (letter of notification) 30,304 shares of class A common stock and 11,600 shares of class B common stock. **Price**—At par ($5 per share). **Proceeds**—For machinery, raw materials, work in process and working capital. **Office**—4301 N. E. 14th St., Des Moines 13, Iowa. **Underwriter**—None.

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 Telephone Co.**
March 18 filed 243,060 shares of common stock (par $1) being 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**—$19 per share. **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.

Corson (G. & W. H.), Inc. (4/21)
March 30 filed 40,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Business** — Produces chemical and metallurgical lime and limestone products, etc. **Office** — Plymouth Meeting, Pa. **Underwriters** — Estabrook & Co., Boston, Mass., and DeHaven & Townsend, Crouter & Bodine, Philadelphia, Pa.

Crestmont Oil Co., Los Angeles, Calif.
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. **Offering**—Expected today (April 14).

★ **Cuttyhunk Marina, Inc., Fairhaven, Mass.**
Feb. 25 (letter of notification) 500 shares of non-cumulative preferred stock (par $100) and 500 shares of common stock (no par) to be offered in units of one shares of each class of stock. **Price**—$100 per unit. **Proceeds**—For construction. **Office**—70 Church Street, Fairhaven, Mass. **Underwriter**—None.

Dal-Tex Uranium Corp., Dallas, Texas
March 24 (letter of notification) 2,850,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—6051 Del Norte Lane, Dallas, Tex. **Underwriter** — Selected Securities Ltd., Las Vegas, Nev.

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.

Devon-Leduc Oils, Ltd., Winnipeg, Canada
March 31 filed warrants for the purchase of 200,000 shares of capital stock (par 25 cents—Canadian) at $1.50 per share and 200,000 shares of such stock. **Price** — At the market price prevailing at the time of the sale of the warrants. **Proceeds** — For general corporate purposes. **Underwriter** — American Securities Corp., New York. No public offering contemplated at this time.

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) being offered for subscription by stockholders of record Feb. 14, 1955 on the basis of one share for each 12 shares held; rights to expire on May 1. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

● **Dover Corp., Louisville, Ky. (5/16-20)**
March 30 filed 106,208 shares of common stock (par $1), of which 77,208 shares are to be offered by company and 29,000 shares by George L. Ohrstrom, Chairman of the Board. **Price**—To be supplied by amendment. **Proceeds**—For new plant and working capital. **Business**—Manufacturing lifting and sealing devices. **Underwriter**—Cohu & Co., New York.

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."

★ **Eagle Oil & Supply Co., Quincy, Mass.**
March 3 (letter of notification) 19,800 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—77 Woodbine Street, Quincy, Mass. **Underwriter**—None.

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.**
March 16 filed 96,755 shares of common stock (par $5), being 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 (rights to expire on April 20). **Price**—$21.50 per share. **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) being offered for subscription by stockholders at the rate of three new shares for each 10 shares held on March 31; with subscription rights to expire on April 18. **Price**—$10 per share. **Proceeds** — For construction of new plant and office building, new equipment and working capital. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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.
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.

Elk Mountain Uranium Corp.
March 18 (letter of notification) 12,500,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Office**—c/o The Corporation Trust Co. of Nevada, 206 No. Virginia St., Reno, Nev. **Underwriter**—Coombs & Co., of Washington, D. C.

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.

Equitable Securities Co., Indianapolis, Ind.
March 24 (letter of notification) 3,000 shares of common stock to be first offered for subscription by common stockholders. **Price**—At par ($50 per share). **Proceeds**—To retire preferred stock and for general corporate purposes. **Underwriter**—City Securities Corp., Indianapolis, Ind.

★ **Esholman Motors Corp., Baltimore, Md.**
April 1 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For improvement of design of sport cars; raw materials; and working capital. **Office**—109 Light St., Baltimore 2, Md. **Underwriter**—None.

★ **Excelsior Insurance Co. of New York**
April 11 (letter of notification) 25,000 shares of capital stock (par $6) to be offered for subscription by stockholders of record April 20 on a pro rata basis. Rights to expire May 16. **Price** — $10 per share. **Proceeds**—For

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working capital. **Office**—123 Erie Boulevard East, Syracuse, N. Y. **Underwriter**—None.

Fidelity Insurance Co., Mullins, S. C.
March 25 (letter of notification) 86,666 shares of common stock (par $1). **Price**—$1.87½ per share. **Proceeds**—To increase capital and surplus. **Underwriters**—McDaniel Lewis & Co., Greensboro, N. C.; Dietenhofer & Heartfeld, Southern Pines, N. C.; and Calhoun & Co., Spartanburg, S. C.

Financial Credit Corp., New York
Jan. 29, 1954 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds** — For working caiptal. **Underwriter** — E. J. Fountain & Co., Inc., New York.

Flo-Mix Fertilizers Corp., Houma, La.
Feb. 14 filed 585,000 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.
March 4 filed 77,350 shares of common stock (par $10) being offered for subscription by common stockholders of record April 8, 1955, and by certain officers and employees; rights to expire April 29. **Price**—$13 per share. **Proceeds** — For construction program. **Office** — Ocala, Fla. **Underwriter**—None.

★ Flying-A-Ranch, Inc.
Feb. 28 (letter of notification) pre-organization subscriptions to units of $200,000 6% first trust certificates and 10,000 shares of common stock (no par) to be offered in units of a $100 certificate and five shares of stock. **Price**—$100 per unit. **Proceeds**—For land and machinery, improvements and purchase of cattle. **Office**—7649 Old Georgetown Road, Bethesda, Md. **Underwriter**—None.

★ Food Fair Stores, Inc., Philadelphia, Pa.
April 7 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered to employees pursuant to employees' stock purchase plan in amount not to exceed an aggregate of $250,000 in any calendar year.

● 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. Statement effective April 4.

★ Franklin Finance & Loan Co.
Feb. 23 (letter of notification) 10,000 shares of 6% limited participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—108 East Washington Street, Greenville, S. C. **Underwriter**—None.

★ GAD Enterprises, Inc., Alexandria, Va.
March 15 (letter of notification) 260,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of factory and working capital. **Office**—1710 Mount Vernon Avenue, Alexandria, Va. **Underwriter**—T. J. O'Connor and Associates, Washington, D. C.

● Gair (Robert) Co., Inc.
March 28 (letter of notification) 2,306 shares of preferred stock (par $100) being 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; offer to expire April 25 (may be extended to June 1). **Underwriter**—None.

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 (4/20)
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.

★ Georgia Power Co. (5/10)
April 13 filed $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. (EDT) on May 10.

Gerber Products Co., Fremont, Mich.
March 18 filed 99,914 shares of common stock (par $10) being offered for subscription by common stockholders of record April 6 at the rate of one new share for each 20 shares held; rights to expire on April 25. **Price**—$34 per share. **Proceeds** — For general corporate purposes. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

Great Frontier Mining Corp.
March 21 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—1320 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—J. E. Call & Co., Reno, Nev., and Salt Lake City, Utah.

● Gross Telecasting, Inc. (4/21)
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 Uranium & Development Corp., Gallup, N. M.
April 4 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—First State Bank Bldg., Gallup, N. M.—Underwriter—Coombs & Co., of Ogden, Utah.

★ Harley Patents, Inc.
April 6 (letter of notification) 10,000 shares of capital stock (par 10 cents.) **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—580 Fifth Ave., New York 36, N. Y. **Underwriter**—E. E. Smith Co., same city.

★ Hawk Lake Uranium Corp., New York City
April 12 filed 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — For mining expenses, etc. **Underwriter**—Dobbs & Co., New York City, will act as agents.

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.

● Holly Uranium Corp., New York (4/18-22)
Feb. 10 filed 900,000 shares of common stock (par one cent). **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.

Horseshoe Bend Uranium, Inc.
March 16 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For exploration and development expenses. **Office**—10 West 2nd South, Salt Lake City, Utah. **Underwriters**—James Anthony Securities Corp., New York; Lawrence A. Hays Co., Rochester, N. Y., and Ned J. Bowman Co., Salt Lake City, Utah.

★ Ibex Uranium, Inc. (Wyo.) (4/22)
April 1 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For exploration and development expenses. **Office**—Denver, Colo. **Underwriter**—Garden States Securities, Hoboken, N. J.

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."

International Fidelity Insurance Co., Dallas, Tex.
March 30 filed 110,000 shares of common stock (no par). **Price**—$6.50 per share. **Proceeds**—To 12 selling stockholders. **Underwriter**—Name to be supplied by amendment.

★ International Scientific Industries Corp.
March 22 (letter of noetification) $46,750 of debenture notes and 46,750 shares of common stock (par one-half cent) to be offered in units of one $250 note and 250 shares of stock (common stock to be donated by promoters of company). **Price**—$250 per unit. **Proceeds**—For working capital. **Office**—1420 Sumner Street, St. Paul 2, Minn. **Underwriter**—None.

★ Investment Co. of America, Los Angeles, Calif.
April 8 filed (by amendment) 1,000,000 shares of additional common stock. **Price**—At market. **Proceeds**—For investment.

★ Iowa-Illinois Gas & Electric Co.
April 4 filed 50,000 shares of common stock (par $1) to be issued under the company's Employees Stock Purchase Plan.

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.

Jarmon Properties & Oil Development Corp.
Jan. 17 (letter of notification) 30,000 shares of captal stock. **Price**—At par ($10 per share). **Proceeds**—For further exploration and development. **Addres**—P. O. Box 1109, Wichita Falls, Tex. **Underwriter**—John A. Aicholtz & Associates, 505 Macon St., Fort Worth, Tex., and another.

Junction Bit & Tool Co., Grand Junction, Colo.
March 31 (letter of notification) 33,745 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of one new share for each two shares held. **Price**—$5.35 per share to stockholders; and after 30 days, to public at $6 per share. **Proceeds**—To purchase new plant site and shop building, and to increase inventory and working capital. **Office** — 801 Fourth Ave., Grand Junction, Colo. **Underwriter**—Taylor & Co., Chicago, Ill.

King Oil Co., Salt Lake City, Utah
March 31 (letter of notification) 260,000 shares of capital stock to be offered for subscription by stockholders. **Price**—50 cents per share. **Proceeds**—For development and drilling expenses and other corporate purposes. **Office** — 28 West Second South, Salt Lake City, Utah. **Underwriter**—None.

★ Kloman Instrument Co., Washington, D. C.
March 18 (letter of notification) 135,000 of common stock (par $1) and 250 shares of 5% cumulative preferred stock (par $100). **Price**—$1.50 per share for common and $100 per share for preferred stock. **Proceeds**—To reduce notes and accounts payable and to increase inventories. **Office**—1822 Eye Street, N. W., Washington, D. C. **Underwriter**—None.

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.

★ Last Frontier Oil Co., Inc.
March 28 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For working capital. **Office**—822 So. Virginia Street, Reno, Nev. **Underwriter**—None.

★ LeBlanc Medicine Co., Inc., Lafayette, La.
April 6 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of land, plant, warehouse, office building and equipment; and additional working capital. **Business**—Processing, packaging and merchandising of new proprietory medicine, KARY-ON. **Underwriter**—None.

★ Lone Star Uranium & Drilling Co., Inc.
April 7 (letter of notification) 570,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—1100 Fidelity Union Life Bldg., Dallas, Tex. **Underwriter** — Christopulos-Nichols Co., Las Vegas, Nev.

Lost Creek Oil & Uranium Co.
March 25 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—507 West Spruce St., Rawlins, Wyo. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

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 (4/18-22)
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) being 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. Statement effective April 6.

● Marlowe Chemical Co., Inc. (5/2)
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.

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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.

★ **Mayfair Markets, Los Angeles, Calif.**
March 1 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$60 per unit. **Proceeds**—For general corporate purposes. **Office**—4383 Bandini Boulevard, Los Angeles, Calif. **Underwriter**—None.

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.

Mechling (A. L.) Barge Lines, Inc., Joliet, Ill.
March 31 filed $837,252 of instalment note certificates to be offered in exchange for the 3,578 shares of authorized and issued common stock of Marine Transit Co. at rate of $234 per share. The balance of $1 of a total purchase offer price of $235 per share is to be paid in cash. The exchange will be contingent upon acceptance of the offer by holders of not less than 81% of the Marine Transit shares.

● **Mercast Corp., New York**
March 30 filed 83,700 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record April 21, 1955, at rate of three shares for each 10 shares held (with an oversubscription privilege); rights to expire on May 5. **Price** — To be supplied by amendment. **Proceeds**—$300,000 to be advanced to Mercast Mfg. Corp., a subsidiary; to finance further development relating to the improvement of the company's molding processes; and the balance to reimburse the company, in part, for the acquisition of Alloy Precision Castings Co., another subsidiary. **Underwriter**—None.

Mesa-Loma Mining Corp., Fort Collins, Colo.
March 29 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—415 Peterson St., Fort Collins, Colo. **Underwriter** — Petroleum Finance Corp., Oklahoma City, Okla.

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.

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.

Millsap Oil & Gas Co., Siloam Springs, Ark.
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.

★ **Minerals Corp. of America (5/18)**
March 31 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and development expenses and working capital. **Office**—Grand Junction, Colo. **Underwriter**—Vickers Brothers, New York.

Moab Minerals, Inc., Moab, Utah
March 28 (letter of notification) 30,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds** — For mining expenses. **Office** — Archer Bldg., Moab, Utah. **Underwriter**—Guss & Mednick, Salt Lake City, Utah.

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.

Monarch Uranium Co., Salt Lake City, Utah
March 28 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—430 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., same city.

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.

★ **Mutual Credit Corp., Greenville, Texas**
March 28 (letter of notification) 15,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds**—For working capital. **Underwriter**—None.

Nevada-Utah Uranium & Oil Corp.
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. **Offices**—1501 Broadway, New York, N. Y., and Hundred, W. Va. **Underwriter**—Chippewa Securities Corp., 226 West 47th Street, New York City.

★ **New Bristol Oils, Ltd., Toronto, Canada**
April 11 filed 2,400,000 shares of common stock (par $1), of which 1,600,000 shares were issued to Newton-Conroe Oil Corp. and 800,000 shares to The Phoenix-Campbell Corp., in exchange for properties. Newton-Conroe is distributing its stock to its stockholders in a liquidation. As holder of 51% of the Newton-Conroe stock, Phoenix-Campbell will receive about 800,000 shares which it proposes to offer to the public, together with the 800,000 shares received directly from New Bristol Oils. **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—None, the distributing stockholders having undertaken to market their holdings directly.

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.

★ **Norway (Kingdom of) (4/20)**
April 7 filed $15,000,000 of external loan bonds (including $2,500,000 of three-year bonds; $2,500,000 of four-year bonds; $2,000,000 of five-year bonds; and $7,-500,000 of 10-year sinking fund bonds). **Price**—To be supplied by amendment. **Proceeds**—To be applied to the foreign exchange costs of capital equipment required for the development of the Norwegian economy. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lazard Freres & Co.; and Smith, Barney & Co.

● **Pacific Lighting Corp. (4/21)**
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. (4/25-29)**
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
March 18 filed $4,651,200 of subordinated debentures, due April 1, 1967 (convertible until April 1, 1964) being offered for subscription by stockholders of record April 6 at rate of $100 debentures for each 40 shares of stock held; rights to expire 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.

Payrock Uranium Mining Corp.
March 28 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For mining operations. **Office** — 901 Texas Ave., Grand Junction, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

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, Texas**
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. Statement effective April 4.

★ **Philadelphia Daily News, Inc.**
Feb. 24 (letter of notification) 50,000 shares of common stock (par $1) to be offered for subscription by stockholders of record March 24. **Price**—$6 per share. **Proceeds**—For modernization and improvements. **Office**—22nd and Arch Streets, Philadelphia, Pa. **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**—To be received up to noon (EST) on April 18 at 1000 Chestnut St., Philadelphia 5, Pa.

★ **Preferred Phoenix Life Insurance Co.**
March 21 (letter of notification) 150,000 shares of capital stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—401 Luhrs Building, Phoenix, Ariz. **Underwriter**—None.

● **Public Service Co. of Indiana, Inc.**
March 18 filed 202,431 shares of 4.20% cumulative preferred stock, par $100 (convertible into common stock after July 1, 1956) being 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.

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.

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. Statement effective Mar. 31.

Ryder System, Inc., Miami, Fla. (4/18)
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.

★ **S. and S. Chinchilla Ranch, Inc.**
Feb. 28 (letter of notification) 100 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For purchase of chinchillas and equipment. **Office**—415 East Jackson Street, Douglas, Ga. **Underwriter**—None.

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.

★ **Sandshell Corp., Garden Grove, Calif.**
Feb. 28 (letter of notification) 12,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To make improvements, purchase equipment and for working capital. **Office**—12866 So. Euclid Avenue, Garden Grove, Calif. **Underwriter**—None.

● **Silver Creek Precision Corp. (6/1)**
March 31 filed $600,000 of 10-year convertible 6% debentures due June 30, 1965. **Price**—At 100% of principal amount (in denominations of $100 each). **Proceeds**—For working capital and general corporate purposes. **Office**—Silver Creek, N. Y. **Underwriter**—General Investing Corp., New York.

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.

★ **Socony-Vacuum Oil Co.**
April 13 filed $17,000,000 of interests in the Employees Savings Plan of this company and 283,333 shares of capital stock (par $15) which may be purchased under the plan.

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. (4/19-20)**
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.

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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.

★ **Standard Oil Co. (Ohio)**
April 5 filed $3,333,000 of interest in the Sohio Employees Investment Plan and 44,440 shares of common stock (par $10) and 11,000 shares of 3¾% cumulative preferred stock, series A (par $100).

★ **Sterling Drug, Inc., New York (4/27)**
April 7 filed $25,000,000 25-year sinking fund debentures due April 1, 1980. **Price** — To be supplied by amendment. **Proceeds**—For redemption of 3½% cumulative preferred stock, payment of funded indebtedness and advance to subsidiary. **Underwriter**—Eastman, Dillon & Co., New York.

● **Stewart Oil & Gas Co. (5/2-6)**
March 14 filed 750,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—To repay bank loan, and for development of properties and other activities incident to oil and gas operations. **Office** — San Angelo, Texas. **Underwriter**—Barrett Herrick & Co., Inc., 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.

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.

★ **Sutton (O. A.) Corp., Inc. (4/28-5/3)**
April 11 filed 400,000 shares of common stock (par $1), of which 300,000 shares are to be for the company's account and 100,000 shares for the account of O. A. Sutton, President. **Price**—To be supplied by amendment. **Proceeds**—For new facilities for production of new central home air conditioning units and for working capital. **Office**—Wichita, Kan. **Underwriters**—F. Eberstadt & Co., New York; and Shillinglaw, Bolger & Co., Chicago, Ill.

★ **Swartwout Co., Cleveland, Ohio**
April 1 (letter of notification) 3,000 shares of class A stock (par $1) to be offered to employees pursuant to stock purchase plan. **Price**—$14.89 per share. **Proceeds**—For general corporate purposes. **Office**—18511 Euclid Ave., Cleveland 12, Ohio. **Underwriter**—None.

Terlingua Mercury Corp.
March 5 (letter of notification) 300,000 shares of common stock (par two cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter** — Gulf Securities Co., Houston, Texas.

★ **Texas Instruments Inc. (5/2)**
April 13 filed 165,945 shares of convertible preferred stock (par $25), to be offered for subscription by common stockholders around May 2 on the basis of one share of preferred stock for each 18 shares of common stock held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Morgan Stanley & Co., 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.

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.

★ **Thompson Products, Inc., Cleveland, Ohio**
April 7 filed 153,600 shares of common stock (par $5) to be offered under company's stock option plan for officers and key employees.

Thorburg Uranium Mines, Inc.
Feb. 25 (letter of notification) 100 shares of common stock (no par). **Price**—$1,050 per share. **Proceeds**—For mining operations. **Office**—160 West Main St., Grand Junction, Colo. **Underwriters**—B. V. Christie & Co. and Crockett & Co., both of Houston, Tex.

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.

Transcontinental Gas Pipe Line Corp. (4/27)
March 29 filed 150,000 shares of cumulative preferred stock (no par—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.

Union Uranium Co., Denver, Colo.
March 2 (letter of notification) 10,650,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office** — 230 East 19th Ave., Denver, Colo. **Underwriter**—J. W. Hicks & Co., same city.

U. S. Igniter Corp., Philadelphia, Pa.
March 18 (letter of notiifcation) 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.

★ **Universal Finance Co., Phoenix, Ariz.**
March 17 (letter of notification) 120,000 shares of class A stock (par $1). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—419 Security Building, Phoenix, Ariz., c/o John Chrisman Hughes. **Underwriter**—None.

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.

★ **Universal Life & Accident Insurance Co.**
March 7 (letter of notification) 50,000 shares of common stock to be offered to members or policyholders of company. **Price** — At par ($1 per share). **Proceeds** — For working caiptal. **Office**—Duncan, Okla. **Underwriter**—None.

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.

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.

★ **Waltham Watch Co., Waltham, Mass.**
Feb. 21 (letter of notification) 25,000 shares of common stock (par $1). **Price**—At market (estimated at $1.75 per share). **Proceeds**—To Teviah and Gilvert Sachs, the selling stockholders. **Underwriter**—Bache & Co., Boston, Mass., and Charles W. Scranton & Co., Bridgeport, Conn.

★ **Warrington 5c and 10c Stores, Inc., Pittsburgh, Pa.**
March 28 (letter of notification) 25,000 shares of 6% convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—To repay outstanding notes and for general corporate purposes. **Underwriters**—Reed, Lear & Co., Arthurs, Lestrange & Co. and Simpson, Emery & Co., Inc., all of Pittsburgh, Pa.; and Jenks, Kirkland & Grubbs, Philadelphia, Pa.

★ **Washington Steel Corp., Washington, Pa.**
April 12 filed 30,000 shares of cumulative convertible preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds** — For expansion program and working capital. **Underwriter**—Singer, Deane & Scribner, Pittsburgh, Pa.

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.

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. (4/20)**
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 as of April 15. Offering expected about April 20 for a 14-day standby. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Western Vegetable Industries, Inc.**
Feb. 28 (letter of notification) 1,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Address**—c/o Jacob Abramson, President, Room 315, Salinas Bank Building, Salinas, Calif. **Underwriter**—None.

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.

Wind River Uranium Co., Salt Lake City, Utah
Feb. 25 (letter of notification) 26,750,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—Suite 201, 65 East 4th South, Salt Lake City, Utah. **Underwriter**—Guss and Mednick Co., same city.

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.

W & M Oil Co., Lincoln, Neb.
Feb. 25 (letter of notification) 225,000 shares of common stock (par $1). **Price**—$1.30 per share. **Proceeds**—For oil and mining activities. **Office**—116 S. 15th St., Lincoln, Neb. **Underwriter** — None. J. Keith Walker is President.

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.

★ **Wyco Uranium, Inc., Salt Lake City, Utah**
April 7 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—429 Ness Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, Las Vegas, Nev.

Wy-Okla Oil & Uranium Co., Denver, Colo.
March 29 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price** — 10 cents per share. **Proceeds** — For mining expenses. **Office** — 804 Denver Club Bldg., Denver, Colo. **Underwriter**—Carroll, Kirchner & Jacquith, Inc., Denver, Colo., and Robert R. Baker & Co., Inc., Fort Collins, Colo.

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.

★ **Zonolite Co., Chicago, Ill.**
March 30 (letter of notification) not in excess of 18,181 shares of common stock (par $1). **Price**—At market. **Proceeds** — To a selling stockholder. **Underwriter** — Paine, Webber, Jackson & Curtis, Chicago, Ill.

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. (EDT) on May 24. **Registration**—Scheduled for April 27.

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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. Offer to expire on May 31. 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.**
April 7 stockholders approved proposal to increase authorized capital stock (par $10) from 2,500,000 shares to 3,500,000 shares. Of the additional stock, 556,250 shares are being offered for subscription by stockholders of record April 5, 1955, on basis of one new share for each four shares held; rights to expire on May 10, 1955. **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

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.

★ **Blackhawk Fire & Casualty Insurance Co.**
April 5 it was reported company plans to issue and sell 200,000 shares of common stock. **Price**—Expected at $5 per share. **Proceeds**—To acquire Blackhawk Mutual Insurance Co., Rockford, Ill. **Underwriter** — Arthur M. Krensky & Co., Inc., Chicago, Ill. **Registration**—Expected late in April.

Braniff Airways, Inc.
April 4, Charles E. Beard, President, announced that the company plans the sale to its stockholders of approximately $6,000,000 of common stock on a pro rata basis. **Proceeds**—From sale of stock, together with funds from a $15,000,000 long-term institutional loan, to be used to finance the purchase of seven DC-7C aircraft which are scheduled for delivery in 1956 or early 1957. **Underwriter** E. Eberstadt & Co., Inc., New York.

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.

● **Chicago Corp.**
April 12 it was announced corporation plans to offer 672,000 additional shares of common stock to common stockholders of record May 2 on the basis of one new share for each five shares held. **Price**—To be announced later. **Proceeds** — For new construction and working capital. **Underwriters**—Glore, Forgan & Co., Chicago, Ill., and Ladenburg, Thalmann & Co., New York.

● **Citizens & Southern National Bank**
April 12 stockholders approved an offering for a period of 30 days or 200,000 shares of capital stock (par $10) to stockholders on the basis of two new shares for each seven shares held. Rights will expire on May 18. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Office**—Savannah, Ga.

Clinton Trust Co., New York (4/27)
April 1 it was announced stockholders will vote April 27 on increasing the authorized capital stock (par $10) from 120,000 shares to 130,000 shares, the additional 10,000 shares to be offered for subscription by stockholders of record April 15 on the basis of one new share for each 12 shares held; rights to expire on May 20. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Office**—357 Tenth Ave., New York, N. Y.

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. (6/2)
March 17 the directors approved a plan for offering up to 733,743 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, 1954, stockholders authorized 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.

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.

★ **Copper Range Co.**
April 8 it was announced that the company expects soon to file with the SEC a registration statement covering a proposed issue of additional common stock for subscription by common stockholders. The offering is subject to approval of the stockholders on May 4. It will be made on the basis of not more than one share for each five shares held. There are presently outstanding 1,412,500 shares (par $5 each).

Cutter Laboratories, Berkeley, Calif.
April 1 it was announced company plans, following a proposed reclassification of 524,261 shares of outstanding common stock into 524,261 shares of limited voting common stock and 524,261 shares of voting common stock, to sell some additional limited voting common stock. **Proceeds**—To reduce bank loans, reimburse working capital for acquisitions made and for expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and 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.

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.

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.

Freedom Insurance Co., Berkeley, Calif.
March 28 it was reported that company (in process of organization) plans to sell initially a minimum of $2,000,000 of capital stock at $22 per share. **Business** — To write casualty, fire and allied coverage. **President**—Ray B. Wiser, 2054 University Ave., Berkeley, Calif.

Frito 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.

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.

★ **Grace (W. R.) & Co.**
April 7 company announced it plans to sell in May up to $30,000,000 of convertible subordinate debentures. Stockholders will vote May 10 on authorizing additional shares of common stock into which the debentures will be convertible. **Underwriter**—Goldman, Sachs & Co., New York. **Registration**—Expected late in April.

★ **Gulf, Mobile & Ohio RR.**
April 7 it was announced company plans to issue and sell $25,000,000 of first and refunding mortgage bonds, series G, due May 1, 1980. **Proceeds**—Together with other funds, to refund existing fixed interest debt. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly). **Bids**—To be received at office of Beekman & Bogue, 15 Broad Street, New York 5, N. Y., up to noon (EST) on April 21.

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.

Humble Sulphur Co. (Texas)
March 30 it was reported early registration is planned of 500,000 shares of common stock. **Price** — Expected to be about $1.25 per share. **Underwriter**—Garrett & Co., Dallas, Tex.

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.

International Bank of Washington, D. C.
March 23 it was reported this Bank plans to offer $500,000 additional debenture bonds to the holders of its present outstanding debentures and common stock. **Office**—726 Jackson Place, N.W., Washington, D. C. **Business**—Industrial merchant bankers.

★ **International Breweries, Inc.**
April 6 it was reported company plans to offer publicly 500,000 shares of common stock. **Price**—$9.50 per share. **Proceeds**—Together with other funds, to acquire Iroquois Beverage Corp. and Frankenmuth Brewing Co. **Underwriter**—Shields & Co., New York. **Offering**—Expected in June.

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.

Isthmus Sulphur Co. (Texas)
March 30 it was reported early registration is planned of an undertermined number of common shares. **Underwriter**—Garrett & Co., Dallas, Tex.

Jersey Central Power & Light Co. (5/10)
April 4 it was announced company plans to issue and sell $20,000,000 first mortgage bonds due 1985. **Proceeds**—To refund $8,000,000 of bonds; 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. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 10.

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 was recently made to residents of Georgia only at $3 per share. **Office**—517 Stephens St., S.W., Atlanta, Ga.

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.**
April 12 stockholders approved 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.**
April 7 it was announced holders of the serial preferred stock will vote May 6 on a proposal to authorize 200,000 new shares of preferred stock (par $100) to be issued in series. Company plans to raise about $21,500,000

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through the sale of new securities this year. Last preferred stock financing was done privately.
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)**
April 8 filed an application with SEC for authority to sell $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.

Ohio Water Service Co.
March 28 it was reported company plans to issue and sell $1,000,000 of first mortgage bonds and $300,000 of additional common stock (the latter to stockholders) in near future. **Proceeds**—To retire bank loans and reimburse the company's treasury for construction expenditures.

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 $9,300,000 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.

★ **Peoples Gas Light & Coke Co.**
April 5 it was reported that the company plans to offer to its common stockholders about $15,000,000 of additional common stock. **Underwriter**—None.

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.

Potomac Electric Power Co.
March 19 it was announced stockholders will vote April 15 on increasing the authorized common stock from 5,500,000 shares to 10,000,000 shares. **Underwriters**—Dillon, Read & Co. Inc. and Johnston, Lemon & Co. underwrote offering to stockholders in 1953.

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.

Puget Sound Power & Light Co.
April 5, Frank McLaughlin, President, said that "it will be necessary in 1955 to obtain funds for construction purposes from outside sources—at least to the extent of several million dollars." The company has scheduled a large-scale expansion program, involving $75,000,000 in order to keep abreast of estimated load growth over the next five years. **Underwirters**—Probably Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co.

★ **Pure Oil Co.**
April 9 stockholders approved the possible issuance of a convertible debenture issue. This would not exceed $50,000,000 and would be issued at the discretion of the directors any time within the next 12 months. **Underwriter**—Probably Smith, Barney & Co., New York.

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.

Riegel Paper Corp.
April 4, stockholders were advised that the company plans to sell a new issue of $15,000,000 25-year sinking fund debentures and some additional common stock (par $10) to stockholders. **Proceeds** — To redeem presently outstanding funded debt and preferred stock of company and its subsidiaries aggregating $16,249,000 and to help finance the proposed expansion of the company's North Carolina pulp mill. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Expected early in May.

★ **St. Louis-San Francisco Ry.**
April 11 it was announced stockholders will vote May 10 on approving an additional issue of up to $25,000,000 of first mortgage bonds, of which it is planned to sell initially $19,500,000 principal amount. **Proceeds**—For property additions and improvements.

● **Scholz Homes, Inc., Toledo, Ohio**
March 28 it was reported company plans early registration of 180,000 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 original 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. The subscription period is planned to be in the latter part of May and the early part of June. **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 biddng. 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 May or June, 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 common 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 Gas Transmission Co.
March 15 it was reported company plans to sell additional first mortgage bonds later to finance cost of new construction, which is estimated at about $17,500,000. **Underwriter**—Dillon, Read & Co. Inc., 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.

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 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).

Utah Power & Light Co. (9/13)
March 28 it was reported company plans to issue and sell $15,000,000 of 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.; Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids** — To be received Sept. 13.

Utah Power & Light Co. (9/13)
March 28 it was reported company plans public sale of 177,500 shares of common stock. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received on Sept. 13.

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.

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.

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. **Underwriters**—Expected to include Kuhn, Loeb & Co.; Lehman Brothers; and Clark, Dodge & Co.

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Mutual Funds

By ROBERT R. RICH

Axe Securities Corp. is distributing the texts of three bills introduced in the House on March 24 by Congressman Carroll D. Kearns of Pennsylvania, all of which are of important interest to those associated with the mutual funds industry. A synopsis of the three measures follows:

H. R. 5210

To amend the Internal Revenue Code of 1954 so as to promote diversified ownership of domestic corporations by encouraging small investors to buy stock and reinvest their dividends. The passage of this Bill would encourage the purchase of mutual funds both in a lump sum and through a systematic plan with reinvestment of dividends.

H. R. 5211

To exempt from Federal income tax dividends paid by regulated investment companies whose income is derived entirely from tax exempt government obligations. If this Bill is enacted, it will mean the creation of mutual investment companies which will appeal to a great many investors who will be interested in this type of security. In addition, in all probability the shares of these funds would be legal for trust accounts in most states.

H. R. 5212

To encourage investment in school bonds and other tax exempt obligations by authorizing Federal Reserve member banks to deal in securities of regulated investment companies which invest solely in such obligations. A bank is allowed to buy for its own investment account any security which it is permitted to deal in. Of the approximately 13,000 banks which are members of the Federal Reserve System, only a comparatively few *deal* in securities. Therefore, dealers would have a very large market for a tax exempt fund through the banks and for their own investment account. At first reading, the Bill might cause some concern to investment dealers, but after careful study, in the opinion of Axe Securities, it opens a broad market and could be an important source of revenue for dealers. Of the 14,370 banks in the United States, less than 100 actively deal in municipal securities. Therefore, over 14,000 could be important new prospects.

THE LATEST interim report of Distributors Group, Inc. analyzes the securities of basic groups according to the objectives for which each is useful, i.e., long-term growth of principal and income, relative stability of principal and income, and cyclical price action.

Both petroleum and chemical stocks receive favorable comment for their long-term growth possibilities as do electronics and electrical equipment shares which, following a reaction, "still seem to be following their favorable long-term trend."

The report veers away from aviation stocks, which, it declares, "have advanced to a level at which extreme caution would be prudent."

Tobacco stocks, despite their delayed price action, "continue to offer substantial intrinsic values and outstandingly generous return" plus relative stability of principal and income. The present depressed levels of merchandising stocks likewise need time for favorable price action, the report states. The greater stability of food and utility stocks results in an unfavorable relative price pattern.

For cyclical price action, the report observes that steel and building stocks "are still worthwhile holdings" although "it appears late for new commitments."

Mining stocks are still "attractively priced" and industrial machinery stocks, despite their neutral position, "appear to be attracting increased attention."

There are indications, the report states, that railroad equipment stocks "are making a major upturn" while railroad stocks retain their "favorable buying" indications for suitable accounts.

TOTAL net assets of Commonwealth Investment Co. reached $92,950,000 at March 31, 1955. This figure compares with $72,765,000 at the same date a year ago, an increase of 28%.

Commonwealth's diversified investments include 334 individual securities in 30 different industries. The breakdown is as follows: bonds, 10.5%; preferred stocks, 16.7%; common stocks, 70.4%; cash and receivables, 2.4%. Largest industry holdings were: oil, 12.61%; electric utilities, 12.66%; chemicals and drugs, 6.29%.

DE VEGH Mutual Fund, Inc. has announced that its net asset value per share on March 31, 1955, was $61.03. This compares with $56.53 on Dec. 31, 1954, and $43.26 on March 31, 1954.

Total assets were $7,455,000 on March 31, 1955, as compared to $6,098,000 on Dec 31, 1954, and $2,645,000 on March 31, 1954.

de Vegh Mutual Fund, Inc. started five years ago, on April 5, 1950, with a net asset value of $25 per share. Assuming the reinvestment of subsequent capital gains distributions, the net asset value per original share of the Fund on March 31, 1955, was $76.61, or 306.4% of the original subscription price.

RECORD SALES of Delaware Fund shares for March and the first quarter of 1955 were reported by W. Linton Nelson, President.

Gross sales in March amounted to $750,267, up 132% over sales of $322,974 in the corresponding month last year. For the first quarter of 1955, sales were $2,350,117 as compared with those of $963,644 in the like period of 1954—an increase of 143%.

Delaware's total net assets were $27,133,952 on March 31.

RECORD first quarter sales of Wellington Fund shares were reported April 11 by A. J. Wilkins, Vice-President.

Gross sales in the period amounted to $17,232,655—largest for any March quarter in the Fund's 26-year history. Sales in the corresponding period of 1954 totaled $16,328,924.

Wellington closed the quarter with total net assets at an all-time high of $419,842,276, or $25.04 a share. This compares with net assets of $311,265,028, equal to $21.22 a share, on March 31, 1954.

TOTAL net assets of Sovereign Investors as of March 31, 1955 amounted to $1,325,178.30 compared with $871,616.50 on March 31, 1954 or a net gain of more than 65% for the period. The net asset value per share increased from $8.58 on March 31, 1954 to $11.50 on March 31, 1955, an increase of 34%.

Of the fund's investments 92% are in common stocks, with 8% in preferred stock, bonds and cash.

GROUP SECURITIES, reports sales of $7,409,932 in the quarter ended March 31. While liquidations were higher in the 1955 quarter, at $4,160,442 against $2,443,341, the net gain of $3,249,490 compared favorably with a net gain of $746,314 for the first quarter of 1954.

FEDERATED FUND of New England has just exceeded $1 million in total assets, it was stated today by James A. Lennon, President of Federated Management Corporation, investment managers and underwriters for the Fund.

In a message to stockholders and dealers, Mr. Lennon declared that the Fund has approximately doubled in total assets in the last six-month period to reach the million mark.

Pointing out that Federated Fund of New England owns shares in more than 50 New England companies, Mr. Lennon said, "The growth of this Fund is ample evidence that both New Englanders and people outside of New England believe in the economic soundness and bright future of this part of the country. New England is gaining in every way."

CLOSED-END NEWS

Tri-Continental Corp.

Net investment assets of Tri-Continental Corporation reached a record high of $242,032,000 on March 31, 1955, according to Francis F. Randolph, Chairman of the Board and President. The figure compared with $236,164,000 on Dec. 31, 1954 and $190,780,000 on March 31, 1954.

Asset value for the common stock, after provision for possible taxes on unrealized appreciation, equalled $37.43 per share on March 31, 1955 as compared with $36.16 at the first of the year, and represented an increase of 34% from $27.85 on March 31, 1954.

Gross investment income, representing dividends and interest received, totaled $2,084,760 in the first quarter as compared with $1,819,584 in the corresponding period of last year.

Putnam Fund Declares 100% Stock Distribution

The trustees of The George Putnam Fund of Boston have declared a 100% stock distribution payable to all shareholders of record May 20, 1955. Shareholders on that date will receive one additional share for each share owned.

In commenting on this declaration, the trustees said that "although this distribution does not change the value of shareholder's holding in the fund, the trustees feel that the resulting lower share price will make the shares more attractive to an increased number of investors and contribute to the continued healthy growth of the fund."

Total net assets and asset value per share on March 31, 1955 were at new highs of $105,347,800 and $24.13, respectively.

UNITED CORP.

Net income of The United Corporation during the three months ended March 31, 1955 increased to $1,233,605, equal to 3.8 cents a share on the 14,072,149½ shares of common stock outstanding, Wm. M. Hickey, President, announced yesterday. For the comparable quarter of last year the company reported net income of $1,144,848, equivalent to 8.1 cents a share.

Profit on sales of securities, included in net income, in the first quarter of this year amounted to $430,038, or 3.1 cents a share, compared with $394,870 or 2.8 cents a share in the 1954 quarter.

Total net assets on March 31, 1955 were $87,107,502 equal to $6.19 a share, compared with $83,133,679 or $5.91 a share on Dec. 31, 1954 and $76,320,605 or $5.42 a share on March 31, 1954.

GENERAL AMERICAN

In the report of General American Investors Company, Inc., Frank Altschul, Chairman of the Board, stated that as of March 31, 1955 net assets were $61,999,572, an increase of $3,550,680 for the three months.

Net assets, after deducting $5,993,000 preferred stock, were equal to $31.11 per share of common stock on the 1,800,220 shares outstanding as compared with $29.14 on Dec. 31, 1954.

Net profit from the sale of securities for the three months was $359,687. Net income from dividends, interest and royalties for the period, after expenses and state and municipal taxes, was $263,136.

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G. F. Towers Director Of Two Bullock Funds

Graham Ford Towers, Governor of the Bank of Canada from its organization until his recent resignation, has been elected a director of Canadian Fund, Inc., and of Canadian Investment Fund, Ltd., two open-end companies under the management of Calvin Bullock, Mr. Towers has also served in Canada as chairman of the Foreign Exchange Control Board, as president of the Industrial Development Bank and as Alternate Governor of the International Monetary Fund.

Graham Ford Towers

Bankers Underwrite Rock Island Offer

A group of 110 firms managed by The First Boston Corp.; Blyth & Co., Inc.; Glore, Forgan & Co. and Union Securities Corp., has underwritten a new issue of not to exceed $65,000,000 Chicago, Rock Island & Pacific RR. 40-year 4½% income debentures due March 1, 1995, which are offered at 100% and accrued interest.

Net proceeds from the sale of these debentures will be applied to the redemption of approximately the same amount of preferred stock at $105 per share and accrued dividends. To the extent that preferred shares are converted into common (on a share-for-share basis) the amount of debentures which are to be issued will be reduced correspondingly.

The issuance and sale of these debentures have been authorized by the Interstate Commerce Commission.

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Our Reporter's Report

With the corporate new issue market still more or less becalmed, underwriters are looking ahead to the approaching week in the hope that the current stalemate may be broken.

That period promises to be the businest in quite a spell with three substantial corporate undertakings being put up for bids and an issue of Kingdom of Norway bonds being groomed for marketing.

And the variety is marked, the new issues including bond offerings by a utility and a railroad along with a large block of stock for a utility company. Underwriters and dealers naturally are going to be watching closely to check the response of potential buyers to these offerings.

Institutional investors have been cool, to say the least, to the new issue market, finding themselves with a ready outlet for their funds in the mortgage field and in taking care of private financing deals.

The fact of the matter is that observers now are inclined to credit some of the recent heaviness in the Treasury market to sporadic selling from such sources. Indications are that they have been selling some of their government holdings as the occasion has required from time to time.

So it will be interesting to see if they can be induced to take more than a look at next week's largest offering, $50,000,000 of 30-year first and refunding bonds of Philadelphia Electric Co., on which bids will be opened Monday. This financing is being done to provide funds for redemption of outstanding 3⅞% bonds and for new construction.

Rail Issue on List

On Thursday bankers will be bidding for $25,000,000 of new mortgage bonds of the Gulf, Mobile & Ohio RR., first carrier issue to come to market in several weeks. The issuer will use funds accruing from sale of the current issue to redeem outstanding 4% bonds.

On the same day Pacific Lighting Corp. will be offering a block of 600,000 shares of additional common stock to pay off bank loans and provide for advances to subsidiaries.

And seemingly confident that this big block will be taken up without any trouble, the company is going ahead without providing for banking assistance on a "standby" basis.

Issue Set Free

Bankers who took down Arkansas Power & Light Co.'s $18,000,000 of bonds as 3⅜s last week and proceeded to reoffer them at 101.412 for a yield of 3.30%, decided to terminate the syndicate agreement and let the issue find its own level.

Demand had been a bit on the slow side as it has been recently and with Central Maine Power's $12,000,000 of new bonds coming out for bids on Tuesday, sponsors evidently saw little to be gained by holding on. The Arkansas 3⅜s settled back to 100¾ bid.

Meanwhile Central Maine's bonds, priced at 100.849 to yield 3.33% were reported attracting interest and bankers were confident that the issue would move out.

Jogging Memories

With Bethlehem Steel Corp., planning to launch a large-scale piece of financing, $191,659,000 of 3¼% convertible debentures on "rights," and Pure Oil an issue of $50,000,000 of convertible debentures, older hands in the underwriting business recalled the last time these two companies came to market more or less simultaneously in 1937.

Hitler was geting up steam in Europe at that time and his operations tended to unsettle markets all around with the consequence that both the foregoing offerings just went bad leaving bankers hung up with heavy commitments.

Currently, market conditions are quite the opposite, that is the equity market at least. And with realistic pricing, the conversion privilege is expected to arouse plenty of investor interest. In 1937, it was recalled, prices set for both issues were "full" to say the least.

With Keller Bros. Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Paul Tavilla has been added to the staff of Keller Brothers Securities Co., Zero Court Street.

Paul H. Marks Opens

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Paul H. Marks is engaging in a securities business from offices at 64 Northeast 73rd Street.

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Stevens & White Formed In Ft. Myers, Fla.

(Special to THE FINANCIAL CHRONICLE)

FT. MYERS, FLA. — Ernest S. Stevens and A. Burdette White have formed Stevens & White with offices at 2226 Hendry Street to engage in the securities business. Both were formerly local managers for Goodbody & Co.

K. B. Block Opens

(Special to THE FINANCIAL CHRONICLE)

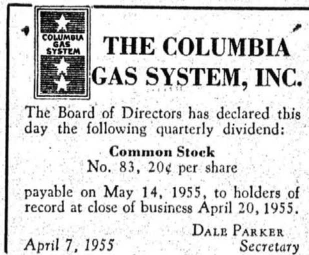
ORLANDO, FLA. — Karl B. Block has opened offices at 4215 Edgewater Avenue to engage in a securities business.

Herbert G. Brown Opens

(Special to THE FINANCIAL CHRONICLE)

OPELOUSAS, LA. — Herbert G. Brown is conducting a securities business from offices at 228 South Main Street.

DIVIDEND NOTICES



THE COLUMBIA GAS SYSTEM, INC.

The Board of Directors has declared this day the following quarterly dividend:

Common Stock
No. 83, 20¢ per share

payable on May 14, 1955, to holders of record at close of business April 20, 1955.

April 7, 1955

DALE PARKER
Secretary

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on April 13, 1955, declared a regular quarterly dividend of thirty-three cents (33c) per share on the Corporation's Common Stock. This dividend is payable May 31, 1955, to stockholders of record April 29, 1955.

LEROY J. SCHEUERMAN,
Secretary

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

A. L. Weir Opens

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, COLO. — Arthur L. Weir and Company has been formed with offices in the Plaza Building to engage in a securities business. Partners are Emory H. Hill, Jr. and Arthur L. Weir, Jr.

Three With Emmett Powers

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO — George E. Cherry, John L. M. French and Mrs. Arlene B. Frieburg have been added to the staff of Emmett Powers, 619 Twenty-second St.

MEETING NOTICES

NORFOLK AND WESTERN RAILWAY COMPANY
10 North Jefferson Street
Roanoke, Virginia, April 4, 1955
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws at the principal office of the Company in Roanoke, Virginia, on Thursday, May 12, 1955, at 10 o'clock A. M., to elect four Directors for a term of three years.

Stockholders of record at the close of business April 14, 1955, will be entitled to vote at such meeting.

By order of the Board of Directors,
W. H. OGDEN, Secretary.

ALLIS-CHALMERS MFG. CO.
Milwaukee, Wisconsin

Notice of ANNUAL MEETING OF STOCKHOLDERS to be held May 4, 1955

NOTICE IS HEREBY GIVEN, that the annual meeting of stockholders of ALLIS-CHALMERS MANUFACTURING COMPANY, a Delaware corporation (hereinafter called the "Company"), will be held at the general offices of the Company, 1115 South 70th Street (Allis-Chalmers Club House), West Allis, Wisconsin, on Wednesday, May 4, 1955, at 11:00 A.M. (Central Standard Time), for the following purposes, or any thereof:

1. To elect a Board of Directors;
2. To consider and transact any other business that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed March 15, 1955, as the record date for the determination of the common stockholders entitled to notice of and to vote at said annual meeting or any adjournment thereof.

By order of the Board of Directors,
W. E. HAWKINSON,
Vice President and Secretary

Dated: March 15, 1955

REDEMPTION NOTICE

ARMOUR AND COMPANY

5% Cumulative Income Subordinated Debentures, Due 1984

Notice is hereby given that ARMOUR AND COMPANY, pursuant to the Indenture under which the above Debentures have been issued, will pay interest on the Debentures to the extent of the 1954 Debenture Net Income (defined in said Indenture), as follows:

May 1, 1955 —$2.50 per hundred dollars principal amount of Debentures

November 1, 1955—$1.55 per hundred dollars principal amount of Debentures.

Holders of coupon Debentures should detach Coupon #1 on May 1, 1955 and Coupon #2 on November 1, 1955 and present them for payment either at the Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois or The Chase Manhattan Bank, 11 Broad Street, New York 15, New York. The Trustee, American National Bank and Trust Company of Chicago, will mail checks for the interest payable on Debentures not in coupon form.

Under the terms of the Indenture interest at the rate of 5% per annum is cumulative and all interest not payable in 1955 accumulates and becomes payable as provided in the Indenture out of future Debenture Net Income when earned.

ARMOUR AND COMPANY
By: F. A. BECKER
Treasurer

April 11, 1955

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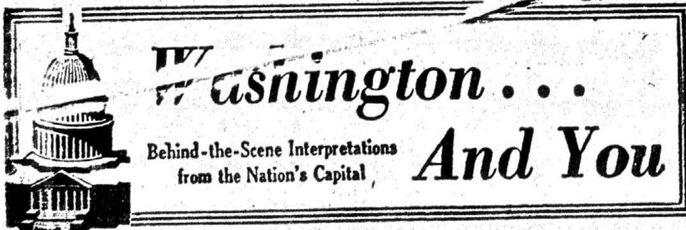

WASHINGTON, D. C. — Behind the Federal Reserve purchase last week of some banker's acceptances was a desire not merely to encourage the build-up of this instrument but of projecting commercial banks and private financing more into the picture of foreign trade financing — a field in which the Government has been steadily encroaching.

It is noted that the Hoover Commission's report on Federal lending, insuring, and guaranteeing agencies proposed that the Export-Import Bank move out of the field of short-term trade financing, and leave that to private financial institutions.

With the improvement in world exchange conditions, bankers' acceptances have come back, especially in the last year or so. The Federal Reserve Board wants to see them come back since they are a means by which private finance provides the dollars for trade.

The monetary effect of this purchase of $13 million of bankers' acceptances, $2 million of them subject to a repurchase agreement, was explained to be exactly zero. The free reserve position improved from minus $235 million in the week ended March 30 to minus $14 million in the week ended April 6. However, factors working toward improvement were a decline of $408 million in Treasury deposits and an increase of $93 million in float.

Bankers' acceptances are in the nature of things completely interchangeable with Treasury bills for operations by the Open Market Committee. The "Fed" simply used bankers' acceptances in this case instead of bills.

While the "Fed" had some $2 million of these acceptances four years ago, practically speaking this instrument has been in eclipse since the '20s. And as has been explained in the daily press, the $13 million purchase came at the initiative of the Federal Reserve rather than from the seller, as was the previous policy.

The decision to promote bankers' acceptances as a means of encouraging more private foreign trade financing is typical of the quiet but firm approach of Chairman William McC. Martin of the Board of emphasizing conventional Federal Reserve policies. It was under Mr. Martin's leadership, after the Treasury-Federal Reserve accord of March 4, 1951, that the Government bond market was led from heavy dependence upon the Reserve to all but complete independence.

Renegotiation Act To Be Extended

Congress probably will go along with the President's recommendation that Congress again extend the Renegotiation Act which otherwise will expire Dec. 31 of this year. It may be doubted, however, that Congress will vote a two-year extension. One year looks most likely to those on Capitol Hill handling the legislation.

The alleged reason which the Renegotiation Board gave for its request for an extension was that without it, and the agency going into liquidation, the Board would lose most of its key personnel, which usually happens to an agency put into liquidation. Even if no new contracts were made by an extension subject to renegotiation, the Board would be working for the next four or five years on those subject to its jurisdiction.

Such a reason for an extention would provide virtually a perpetual reason for continuance of the Renegotiation Board, for each extension adds a new year of defense contracts subject to renegotiation.

Controls Situation Is Deteriorating

Heretofore the President after the fumbling of the White House in 1953 on the question of controls — when it led the leadership of the Republican Congress a merry chase by not sticking to the agreement against controls — has been against the enactment of standby controls over prices, wages, and rents, in 1955.

Now, however, reports are that the President's will against the proposal of standby controls as an amendment to the extension of the Defense Production Act, is beginning to crumble. It is apprehended that when the question of an otherwise routine extension of DPA comes up in a few weeks, the White House will have fallen for the argument of the good little bureaucrats that such controls must be written in case the United States starts shooting motorized Chinese junks in the Straits of Formosa.

If the President does not take a firm stand against standby controls, he will open up another political sore. The dominant elements among the Republicans in Congress take the view that in the event of a first class war Congress could fly back in 48 hours and write a controls statute, if one became necessary. And they don't think one would be necessary for a fourth class war, two grades below a Korean War, which is the worst officials explain they expect, in the inspired eating sessions with newsmen, in case of hostilities over Quemoy and Matsu.

In an entirely different sphere, the more or less "controls" outlook is one for little action. The Attorney General's committee to study the antitrust laws did not come up with any recommendations which particularly inspired the enthusiasms of any pros or cons on any phase of the antitrust laws. Most observers do not expect this session of Congress to reach an agreement upon any major phases of antitrust law amendments.

And the agitation against the big mergers of banks in New York has died down. Representative "Manny" Celler (D., N. Y.) has conducted largely a one-man campaign against these mergers. He has been promised a hearing before the House Banking Committee on his bill to require advance approval by the supervisory officials of any merger with a finding that such a merger does not lessen competition substantially.

However, the House Banking Committee has such a heavy docket that it cannot get to this bill before June, and hearings might in fact come much later.

BUSINESS BUZZ

"It would be easier to convince me you're busy, Miss Finnegan, if you had a sheet of paper in that typewriter!"

May Pass Gas Bill

Representatives of the oil and gas industry are now fairly hopeful that they will get passed their bill to exempt the local production and gathering of natural gas from regulation by the Federal Power Commission, in line with what Congress enacted in the first Natural Gas Act, in line with the continuous sentiment of the Federal Power Commission against such regulation, but contrary to "legislation" written by the Supreme Court of the United States in the Phillips Petroleum case.

But while the industry is hopeful it will get the bill passed, it is mighty peeved over the price the industry will have to pay for this enactment.

This price is that, while the prices at the wellhead and the local gathering line will not be **directly**, regulated, they will be **indirectly** regulated.

Such indirect regulation will come through the provision that a pipeline company, whenever it asks for permission to build a new pipeline or extension, or whenever it asks for a rise in rates, will have to prove that it is paying no more than "the fair field price" of the gas.

Thus, there would be indirect regulation of gas prices even if there isn't such regulation of coal, clothespins, or diapers.

The industry points the finger at Treasury Secretary George Humphrey as the man who devised this stratagem. They say it was his idea that this compromise would make the legislation salable to the vocal radical element in Congress.

Frame Housing Program

From two to four weeks from now two subcommittees, one of the Senate, and one of the House Banking committees, will begin new housing "investigations." It is doubted that either of these affairs will rate the use of the "Caucus Room," otherwise known as the "Circus Room" of the Senate Office building, large, pretty, and capable of handling all kinds of TV, radio, movie camera, and other impedimenta.

The true objective of these investigations will be to consult the heart and the facts and come up with a "Democratic housing program" for the 1956 national election show.

Democrats are in something of a quandary Mr. Eisenhower's Housing Act of 1954, which allows many veterans to get houses for nothing down and even without closing charges, rather skins the lamb. There ain't much more wool to be clipped, and the Democrats can't go much farther, unless they want to pay cash bonuses to veterans to buy houses.

So what do we do, guys, for a housing program? The investigations probably will develop that the Eisenhower Administration is doing nothing about the deserving poor or the "middle income" classes that can't pay $77.69 a month, including interest, principal, taxes, insurance, and payments on the TV and fancy new kitchen.

(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.)

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Business Man's Bookshelf

Basis and Development of Fair Trade—Third Edition—The National Wholesale Druggists' Association, 330 West 42nd Street, New York 36, N. Y. (paper).

Clippings of Note—The Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. —paper—single copies without charge (quantity prices on request).

Estate Planning and Education: 1955 Edition—Pomona College —copies available without charge from Allen F. Hawley, Department of Development, Pomona College, Claremont, Calif.

Introduction to Business—Edwin H. Spengler and Jacob Klein— McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y. (cloth), $5.50.

Legal Services and Procedure—A Report to the Congress by the Commission on Organization of the Executive Branch of the Government — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 45¢.

Metalphoto Process — Report detailing the technical aspects as well as new applications of the Metalphoto process of photographic reproduction on photosensitive aluminum plates—The Metalphoto Corporation, 2903 East 79th Street, Cleveland, O.

Profit Management and Control— Fred V. Gardner—McGraw-Hill Book Company, Inc., 330 West 42nd St., New York 36, N. Y., $6.00.

States Rights and the Law of Labor Relations—Gerard D. Reilly —American Enterprise Association Inc., 1012 Fourteenth Street N. W., Washington 5, D. C. (paper), $1.00 (quantity prices on request).

Upper Kanawha Valley—Booklet Describing the Valley with Its Industrial Advantages and Facilities—Available to Interested Industries on Inquiry — Upper Kanawha Valley Development Association, Montgomery, W. Va.

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