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EDITORIAL

As We See It

It used to be said of an event about which no doubt could exist that it was as certain as "death and taxes." A strictly modern counterpart of this aphorism might well run something like this: There is nothing so certain as "debt and taxes." It might be added that there is also nothing so confused, so confusing, so misunderstood, and so pregnant with danger to this country of ours. A number of the "opposition," notably Senator Douglas, are said to be collecting words and epithets, charges and slogans with which to discredit the work of the Eisenhower Administration last year in extensively redrafting our system of Federal taxation. An effort will plainly be made to have it appear that the "common man" has been dealt shabbily with for the benefit of a selected and favored few.

Nor can there be any doubt that the old battle about the upper debt limit of the Federal Government is soon to be renewed, with Senator Byrd taking the lead in trying to block any move that would bring a permanent increase in it. To this Senator's credit be it said that he has recognized the inevitable connection between Treasury expenditures and unavoidable debt, and that he has consistently opposed tax reductions while staggering deficits continue. He has, however, been not more than moderately successful in curtailing outlays or in advocating tax collections proportionate to expenditures approved and sometimes initiated by Congress itself. In any event, he appears to be preparing again to make a sort of last ditch stand against this recurrent

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The Stock Market Inquiry

By HON. J. W. FULBRIGHT*
United States Senator from Arkansas
Chairman, Senate Banking and Currency Committee

Chairman Fulbright stresses timely importance of studying market developments; emphasizing possible ill effects of speculative "bacilli" on the general economy, and calling on market participants and government leaders to break "hypnotic spell" from stock rise. Drawing distinction between the price level of stocks and the rate of advance, he cites market accompaniments of "high-running speculative fever." Describing current "shallow" optimism as uncomfortably reminiscent of attitude preceding 1929 crash, Senator Fulbright states study has focused his attention on present elements of danger in excessive mortgage debt, instalment debt, and farm economy lag.

I feel I can best bring the recent study of the stock market into focus if I deal first with its background. I begin with a personal reference.

Following the untimely death of Senator Maybank, a fine Senator from South Carolina, I succeeded to his place as Chairman of the Banking and Currency Committee for the current session of the Congress. It was thus imperative that I not only inform myself more fully on all matters that are a proper concern of the Committee. It was also my duty as Chairman to direct the Committee's attention to any economic trends or developments about which there were reasonable grounds for concern.

J. W. Fulbright

Grounds for Concern

In January of this year, the grounds for concern over stock market developments turned on two points of contrast. One lay within the stock market itself. From September 1953 to November 1954, the level of stock

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*A speech by Senator Fulbright before The Economic Club of New York, New York City, April 18, 1955.

Business Prospects in The Coming Months

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

After presenting a digest of factors in the business recovery, Dr. Reierson looks for more than a casual decline in the production rate of automobiles and an easing in the rate of residential building during the second half of the current year. Holds, however, other sectors of the economy are likely to provide sufficient support to prevent these adjustments from cumulating into a general downturn. Lists as major imponderables: (1) the labor situation; and (2) the international outlook.

The business recovery from the bottom of the 1953-54 letdown has now been under way since August 1954, and the movement so far has been vigorous and widespread. Some questions have been raised as to the strength of the current upturn, especially as some important industries are expected to ease later in the year. The available evidence, however, suggests that the current economic recovery is part of a broad cyclical swing, and that a generally high level of business activity is likely to continue through 1955 and into 1956.

Roy L. Reierson

The Business Recovery

Statistical indicators of aggregate economic activity suggest that the economy has already reached, or almost reached, the all-time records set at the peak of the boom in 1953. The rate of the present upturn is comparable to those that followed the moderate business declines of 1927 and 1948-49.

Gross National Product — Economic output was $365 billion in the record year 1953 and reached a peak rate just short of $370 billion in the second quarter of that

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*An address by Dr. Reierson at the National Consumer Credit Conference, Chapel Hill, N. C., April 3, 1955.

OVER-THE-COUNTER ISSUE NEXT WEEK—The "Chronicle" of April 28 will feature the Over-The-Counter Market, the special material to include a completely revised list of unlisted stocks on which cash dividends have been paid uninterruptedly from 5 to 170 years.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Daystrom, Inc.—William N. Schill, Research Dept., Reynolds & Co., New York City. (Page 2)

Food Machinery & Chemical Corp. — Sidney L. Schwartz, Senior Partner, Sutro & Co., San Francisco. (Page 2)

WILLIAM N. SCHILL
Research Department
Reynolds & Co., New York City
Members New York Stock Exchange and Other Principal Exchanges

Daystrom, Inc.

Diversification, so popular nowadays, can come in various ways — type of product, market, geographical location of operations and so forth. I like Daystrom, Incorporated, as a security because it has effected diversification by acquiring companies with divergent products, yet concentrated in a growing field — electronics. Thereby, research and development, so important in this field, can be coordinated and made mutually supporting among the various subsidiaries.

Wm. N. Schill

The company is currently in a state of transition from its graphic arts, furniture and defense production into increasing reliance upon the electronics field. This gives the company both the assurance of growth in sales and profits, as the field is an expanding one, and stability, since those in the field will have the assurance of both civilian and military orders. At the moment, civilian orders are on the upgrade; however, should international affairs worsen considerably, military orders would undoubtedly increase.

For the first nine months of the fiscal year ended Dec. 31, 1954, electronic sales amounted to $30,939,000 or 56.57% of total sales, compared with such sales of $25,735,000 for the full fiscal year ended March 31, 1954, or 41.19% of that year's total sales. For the first three quarters, total sales amount to $54,686,000 against $62,473,000 for all of fiscal 1954.

These figures do not include those of Daystrom's newest acquisition, Heath Company, world's largest producer of do-it-yourself kits for electronic instruments, with sales of about $7,500,000. Heath's sales have increased by more than 500% since 1949, and this upward trend is continuing. By its pioneering in these kits, Heath has taken advantage of two new enthusiasms sweeping the country, the do-it-yourself urge and the desire for radio, high fidelity and other electronic instruments.

In addition to their use by amateur enthusiasts, "Heathkit" test instruments are used by professionals, such as research laboratories, TV and radio repairmen, trade and technical schools and so forth. Also in the high fidelity field is the Daystrom Electric Corp., which produces the "Crestwood" line of high fidelity magnetic tape recorders, and film, wire and special application recorders. This subsidiary also has its own electronic research section.

Small "Heathkits," which are sent through the mails or by express, and the moderately small tape recorders mentioned above are not the only production of the company. At its Daystrom Instrument Division in Archbald, Pa., the company also manufactures, among other products, an 11-ton Mark 56 radar gunfire control system for the Navy, capable of tracking electronically and bringing gunfire to bear on the fastest aircraft. The division recently installed, in record time, six such units on the U. S. S. New Jersey, the first such installations on a battleship. Each unit contains over 32,000 parts and requires more than 18,000 electrical connections.

The Instrument Division has also just announced its entrance into the atomic energy field and is going into production of an initial order of atomic energy measuring and controlling instruments for use by the Atomic Energy Commission. In addition, this plant produces a large variety of computers and other electronic equipment for International Business Machines, Sperry Gyroscope, General Electric, CBS Columbia, Curtiss Wright, Stewart Warner and others.

Last year Daystrom also acquired American Gyro Corp., now operating as Daystrom Pacific Corp. This new corporation is active in the development and production of gyroscopes for use in guided missiles and miniaturized electronics control equipment for aircraft and guided missiles. This production goes mainly to the large aircraft manufacturers on the West Coast.

Further expansion into the electronics field can be seen in the proposed merger of Weston Electrical Instrument Corporation into Daystrom. Stockholders of both companies will vote on approval of the merger at meetings on May 16. Weston is a well-established designer and manufacturer of electronic and electrical measuring, testing and control instruments, with sales of $28,672,822 in 1954.

One of the most impressive factors in the future of Daystrom, and one of the major reasons I like its securities, lies in the research staffs and facilities it has acquired in its expansion, both within its own framework and by the purchase of companies. Properly coordinated these should give Daystrom a strong position in an industry that depends heavily on research and development.

The stock is traded on the New York Stock Exchange and is presently quoted at about 29.

SIDNEY L. SCHWARTZ
Senior Partner, Sutro & Co.
San Francisco, Calif.
Member New York Stock Exchange

Food Machinery & Chemical Corporation

A fifteen year sales growth of 2,600% is at least eye-catching and certainly invites examination. This is the record of Food Machinery & Chemical Corporation. In 1939 Food Machinery & Chemical was still a rather specialized company doing a little more than $8 million in annual sales. Today it is a nationwide operation having 14 manufacturing divisions and 11 subsidiary organizations embracing 61 production units. Total revenues in 1954 approached $230 million. Hundreds of products are sold or leased, ranging from household insect spray to heavy industrial chemicals, from grapefruit polishers to huge castings. Thus, in buying Food Machinery & Chemical, the investor acquires a whole basket full of diversified and well-managed businesses.

Sidney L. Schwartz

The company's four principal divisions contributed to 1954 revenues about as follows: Chemicals, 45%; Machinery Sales, 29%; Machinery Rentals, 3%; and Ordnance, 23%. Strongest growth in recent years has been exhibited by the chemical division, where well integrated production includes such products as insecticides, fungicides, plasticizers and others.

Machinery sales probably declined a little in 1954 from 1953, following the general experience for agricultural machinery. This division emphasizes production for the food packaging industry. Geographical diversification is notable, and manufacturing units cover nearly all important crop centers. Many individual machines are highly specialized, but the product line is well diversified and Food Machinery & Chemical engineers are able to set up for customers complete processing and packaging plants.

Machinery rentals is a fairly recent activity of Food Machinery & Chemical; it promises substantial growth and enjoys excellent profit margins. Ordnance activities are of course subject to a good many outside factors. With Food Machinery & Chemical's excellent experience on government work and no let-up in the cold war, the company can be expected to continue to share in the defense program. Current contracts carry production of amphibious vehicles well into 1956.

Food Machinery & Chemical has obtained its rapid growth both from within and by acquisition. The plan has been to search out logical activities that can be integrated into the parent. At the same time a substantial engineering staff is constantly broadening the line, and improving the product. Experience testifies as to the management's ability to achieve these objectives.

As the company has grown, so have its earnings. Per share net should be reported around $4.00. Dividends are currently at a $2.00 rate and have been paid consecutively since 1935. Capitalization consists of $48.3 million debt, $9.9 million 3¾% preferred, $6.9 million 3¼% convertible preferred, and 3,040,477 common shares.

In the years since World War II, Food Machinery & Chemical common has been increasing in investment stature. Its broad diversification lends quality to the issue and the continued growth prospects and reasonable return make it a candidate for inclusion in a wide variety of accounts, from conservative institutional to aggressive businessman. At current levels (New York Stock Exchange) slightly above 51, it should prove to be a worthwhile investment.

Kenneth Elgin Opens

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Kenneth Elgin, Inc. has been formed with offices at 432 North Lake Avenue to engage in a securities business. Officers are Kenneth E. Elgin, President, Charles F. Edwards, Vice - President, and Elizabeth Lockwood, Secretary-Treasurer.

Some Public Policy Implications Of Automation

By HON. JOSEPH C. O'MAHONEY*
U. S. Senator from Wyoming
Chairman, Senate Sub-Committee on Economic Stabilization

Sen. O'Mahoney, expressing concern over the impact of recent rapid progress in automation, sees need of a Congressional inquiry. Proposes a study on public policy to deal with such matters as: (1) displacement of personnel; (2) the possible shifts and distortions which may arise in the distribution of mass purchasing power; (3) the sound and equitable distribution of the expected gains in productivity; and (4) the impact of automation upon the business structure. Concludes it is an important matter for public policy to prevent the new materialistic processes from crushing our moral and cultural forces.

New problems are not created by new words. The problems appear first and the words afterward, but occasionally new words are invented to make old problems seem new.

Sen. J. C. O'Mahoney

Such is the case with the new multisyllabic word "automation." It is not to be found in the latest dictionary, to be sure, yet it represents a problem which came into existence with the first machine tool or even the first wheel.

Those who feared and sought to wreck the first machines because they conceived them to be destroyers of jobs were unable to see that every new machine can create a new demand by making possible the production of cheaper and more numerous commodities. Even though every new machine displaced some workers, nevertheless by reason of the fact that the new machines generally meant more goods at lower prices, their introduction in the end created more jobs and raised the standard of living.

This result was achieved, however, in the main without regard to the hardships visited upon the displaced worker and in some cases even a displaced community. As inventions became more complex and more productive, they did in fact destroy the jobs of the men displaced by the new machine. Frequently this displacement came at a time when the displaced worker was no longer able to find a job for which he was trained, so that he and his family dropped in the social and economic scale. Industrial progress, therefore, was marked by a trail of hardship and distress for individuals, and also for communities no longer capable of being supported by displaced industries.

Need for a Congressional Inquiry

Automation signifies the most recent development of the age of mechanization. It appears now, however, upon a larger stage because it is an instrument of national business. It is used by the huge corporate units which employ thousands of workers and sometimes have plants in scores of cities scattered throughout the country without respect to state lines. The entire population of the United States now has the opportunity to see clearly that the push-button, industrial system has such widespread effects upon our whole social, economic, and political structure that a Congressional study is unavoidable. In the first place, the investment required to build and to install the new automatic devices is beyond the ability of local communities or local banks to produce. It is a production method which can exist only with mass production and mass markets. It is, therefore, a problem which is beyond the political jurisdiction of local communities or even States to regulate in the public interest. If it is not regulated, it must of necessity make its own rules and those rules will be concerned with investment profit and loss rather than with the effects upon the worker and the local community.

The object of such a study would be the adoption of such rules of public policy as to make certain that automation would be a stabilizing and not a disturbing element in the national economy.

Automation Must Be Appraised In Light of the Cold War

The modern world has been at the brink of the abyss of nuclear war, a danger which can be avoided only if we have the sense to realize that moral, social, and economic progress for all constitutes the only safeguard of our cherished liberties and freedom. It is against this threatening background that we must consider the meaning and the possibilities of automation. What contribution can it make to winning this struggle for the survival of man? What problems may it raise which might even momentarily impair our strength for the cold war?

Thus viewed, we are forced to concede at the outset that any improved devices or techniques, be they electronic, mechanical, or simply human "know-how," which will add to the productive effectiveness of our resources, must be welcomed and recognized as desirable. That was perhaps easier

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*An address by Sen. O'Mahoney before the National Conference on Automation, sponsored by the CIO Committee on Economic Policy, Washington, D. C., April 14, 1955.

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Lines on International Telephone And Telegraph Corporation

By IRA U. COBLEIGH

Enterprise Economist

Comment on the change in corporate direction, and improvement in earning power now emerging.

International Telephone and Telegraph has waited patiently for the right decade. Perhaps the "fifties" will be it. Started hopefully in 1920, it was blueprinted to do in many countries of the world, what A. T. and T. does in the U. S.—provide major telephone service, and through subsidiaries, the necessary telephone equipment. Thus in the latter twenties I. T. and T. was a popular, romantic, and ecumenical speculation—a global holding company vehicle wired for sound growth and expanded telephonic communication on our planet.

Ira U. Cobleigh

Attractive and appealing as was the idea of a phone company serving many countries, in Europe and South America, the Great Depression jammed the switchboards of progress. Revenues fell, exchange restrictions grew, rate increases became super difficult, and political uncertainties multiplied. That was the story of the thirties—the second decade. Still essentially a public utility with 21 phone, radio or cable communication companies in eleven countries and even more far flung manufactories.

The forties—the third decade—might have seen a fulfillment of the original I. T. and T. promise, but the Second World War intervened with the final result that the telephone company in Shanghai, and plants and properties in several Central European countries were summarily appropriated and operated by the Commies without regard for the standard economic amenities of purchase and payment. All these events tended to suggest that perhaps the original plan of doing a public service business around the globe had certain recurrent drawbacks—in particular political and monetary uncertainties in many nations. So new bearings were taken, and a new course charted—deemphasis on telephone business, and "revving" up the research and manufacturing end of the business.

Thus today, in the middle of its fourth decade, we perceive IT to be quite far removed from its original format. Telephone service is now limited to 435,000 phones of subsidiaries in Chile (143,000), Cuba (142,000), Brazil, Puerto Rico and Peru. Except for Puerto Rico, none of these subsidiaries is sufficiently profitable to justify injection of new capital for indicated expansion needs; and rate problems are particularly acute in Peru and Cuba. IT also owns 46.5% of the stock of Telephonos de Mexico S.A. with 335,000 phones and quite interesting prospects. (Two major phone companies, those in Spain and Argentina, were sold some years ago.)

There are also radio-telephone and telegraph subsidiaries serving Cuba, Puerto Rico, Argentina, Brazil, Chile and Bolivia; and IT owns 58.17% of the stock in American Cable and Radio Corp., with cable circuits to most of the countries not behind the Iron Curtain; and radio telephones to ships at sea. American Cable delivered $608,042 to IT in dividends last year.

Now let's talk about the divisions of IT where the expansion has been taking place—manufacturing electronics. You're surely familiar with the Capehart television set. It's manufactured together with an excellent line of radios, phonographs and combinations, plus a complete roster of the popular "hi-fi" elements) at Capehart-Farnsworth Company division at Fort Wayne, Ind. Also in the same city is the Farnsworth Electronics division, dedicated to research in advanced electronics and the application of atomic energy to industry. There are also the Federal Telecommunication Laboratories at Nutley, N. J. for research; and, in Chicago, the Kellogg Switchboard and Supply Company division manufactures and supplies telephone apparatus and equipment to the independent telephone industry in the U. S. and to many companies abroad. 1954 sales of Kellogg were at an all time high.

The fifth and largest manufacturing division of IT, in the U. S., is Federal Telephone and Radio Company, a major manufacturer of electronic and electric equipment for the armed forces and for private industry. It produces a transportable Instrument Landing System for the Air Force, and similar equipment for the Civil Aeronautics Administration. It has a perfected version of long range navigation (LORAN) for the Coast Guard; and only last week it was announced that Federal's "new and revolutionary" radio navigation system, LORAN, had entered large scale production (Stromberg Carlson and Hoffman Radio are producing this also, as licensees). This (classified) device, no bigger than a shoe box, provides uninterrupted information to aircraft pilots, and accurately tells them moment by moment, exactly where they are in relation to a given ground station. Other products of Federal include microwave radio telephone systems, telephone switching equipment; and Federal is the largest U. S. producer of selenium rectifiers.

Abroad, Standard Telephones and Cables, Ltd. (London) is the largest manufacturing unit. It supplies rectifiers, vacuum tubes, micro-wave systems, radio aviation elements; and installed, last year, 60,000 lines of automatic telephones for the British P. O. A couple of dozen other subsidiaries manufacture and/or sell communication-slanted electronic items throughout Europe and the British Commonwealth.

IT is really quite a company with total income for 1954 of $423,830,623. On a consolidated basis, this gross income carried down $20,068,525 to net income for stockholders—and this after a $2,400,000 write off on the sale of "Coolerator" Division assets. This all worked out to $2.80 for each of the 7,167,677 shares of IT outstanding and now selling on NYSE at 27½. To those who enquire why, with that much in net, only $1 was paid (1954) on the common, three points should be made clear: (1) that much of the net from other countries cannot be delivered to U. S. stockholders because of exchange restrictions; (2) any sound management should retain a reasonable percentage of net for growth purposes; and (3) the actual cash in dollars, delivered to the parent company in 1954 was $1.35 per share—out of which a dollar payment seems sensible. (The indicated rate is now $1.20.)

Let's review a bit. We have touched upon two significant trends of IT in recent years. One is the trend to do more IT business in the U. S. The percentage of American manufacturing sales was 33.8% in 1950 and 42.5% last year. The second and more important one is the trend away from phone business to electric and electronic manufacturing—now recognized as one of the most promising areas for growth in our entire economy.

Management appears excellent and includes a distinguished directorate, with Mr. Sosthenes Behn, one of the founders of the company, as Chairman of the Board.

Marketwise, IT has surely not been devoid of action. It hit a gorgeous 149½ in 1929, could be bought for a lowly 2⅝ in 1932 (but who had the dough?) and its postwar high was 33. Thus, by historic standards, nobody is paying (you'll pardon the expression) telephone numbers for the stock today. Fact is we'd like to close here on the theme we started out with. After a variety of vicissitudes, political, monetary, and military, IT entered its fourth decade with 16 dividend-less years behind it. Then came a 60c payment in 1951, 80c in 1952, $1 in 1953 and 1954, and an indicated $1.20 for 1955. You can see from these a trend in the right direction—a trend that, buttressed by earnings (consolidated) of perhaps $3.80 or better this year, and exchange improvements abroad, might provide new elements of vitality for this interesting and improving equity. It could be that this will be I. T. and T.'s decade. In which event you have five years left in which, if you are so disposed, you may share.

Why not look over the annual report? The balance sheet makes good reading too.

New Grimm Co. Branch

SARASOTA, Fla. — Grimm & Co., members of the New York Stock Exchange, have opened a branch office at 1307 Main Street, under the management of George J. Moriarty and Patrick J. Moriarty. Both were formerly with Granbery, Marache & 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 moderate falling off in total industrial production for the nation-at-large was noted for the period ended on Wednesday of last week. Output, however, continued approximately 10% higher than in the same period of 1954.

In the field of employment latest reports indicated that claims for unemployment insurance benefits were much lower than a year ago. Continued claims declined 27%, while initial claims were 41% lower. Seasonal expansion in lumbering, farm work and other outdoor activities contributed to the favorable year-to-year comparisons.

Unemployment declined about 12% in March among persons covered by state jobless pay laws. As of April 2, the number of idle workers dropped to 1,518,700, the United States Department of Labor reported. This represented a decrease of 458,000 in the 10 weeks since Jan. 22 and 629,000 below the year-earlier level.

The nation's production of goods and services boomed to a yearly rate of $369,000,000,000 in the first three months of 1955, according to a preliminary estimate of the President's Council of Economic Advisers. This was $7,200,000,000 above the previous high for the first quarter—set in 1953. Most Government economists appear confident total output in April, May and June will surpass the $369,900,000,000 annual rate in the second quarter of 1953 when production was the greatest for any three months in the nation's history, it is further reported.

As a result of booming demand desperate consumers are paying warehouse prices for fill-in tonnages to meet current requirements, states "The Iron Age," national metalworking weekly, this week.

Meanwhile, automotive consumers are beginning to put on the pressure for the third quarter. Their orders for some products for this period are beyond expectations. Demand for 1955 models is so good that at least one of the Big Three is postponing its switch over to new models rather than lose out on sales.

Warehouse buying by users that normally get what they need direct from the mills usually is the forerunner of conversion deals, which are even more costly, and the gray market where the price is what the traffic will bear. It also means that some consumers far from being able to build inventories are barely able to get enough steel to keep their production lines operating, declares this trade magazine.

The warehouse boom is not surprising, since the mills are loaded to the hilt with orders. In flat-rolled where the pinch has been on for weeks producers have been struggling without too much luck to live up to delivery promises.

The warehouses themselves are having their problems. Overloaded with inventory several months ago, they are now pressing mills for deliveries. Their stocks of sheets, plates and other products now look anemic on the basis of present and future demand this year, declares this trade weekly.

Orders booked by producers in March ran well ahead of capacity, anywhere from 125% to 160%, depending on the mill. This means that April production will set an all-time record for the industry.

Mill backlogs are increasing rapidly. The consumer without orders on the books is running the risk of finding himself short later in the year. Any consumer who is counting on a let-up in third quarter will be disappointed. Carryovers plus continuing strong demand from virtually all industry will make for a strong market through third quarter and beyond, this trade authority reports.

Strengthening truck schedules pushed United States vehicle output to an all-time high of 206,458 units last week. The present peak is 206,262 cars and trucks completed in the week ended April 2, 1955.

"Ward's Automotive Reports" estimated April 11-16 construction at 176,085 cars and 30,373 trucks, 5% more than the preceding week's 168,002 cars and 28,409 trucks. A 102-week peak in truck erecting the past week was the biggest factor in the new industry mark.

Chevrolet, Ford, General Motors Corp., Dodge and Willys all programmed sharp gains in truck manufacture last week over holiday-trimmed counts during April 4-9.

These increases, plus stronger programming by other producers, have put truck erecting thus far in 1955 at an estimated figure of 329,629 units, less than 2% under comparable production a year ago of 335,919 units.

This week, to date 1955 truck construction will pass like 1954 output, while car-truck manufacture passes the 3,000,000-unit

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Observations . . .

By A. WILFRED MAY

SERIOUS STUFF ON THAT CRASH

If you don't want the wits scared out of you by prosperity-is-with-us pronouncements like that by Secretary Weeks last week, don't read Professor Galbraith's new volume reminiscing about our boom-and-bust of a quarter century ago (THE GREAT CRASH by JOHN KENNETH GALBRAITH. Houghton Mifflin Co., Boston. 212 pages, $3.)

A. Wilfred May

For Dr. Galbraith in this accounting of the times of course quotes the accompanying soothsaying and forecasting by the highest levels of authority—governmental and private—which gave the O.K. to those mad goings-on.

Not that economist Galbraith overdoes easy debunking, or exploits the appeal of that hindsight activity. In fact, he is quite unique in adding some constructive analysis and conclusions to the traditional glamor of a stock market history.

In this serious vein in lieu of mere nostalgic enjoyment, the volume is serviceable in offering material for the reader's own thinking and judgments.

Thus he cites the public's earlier impressiveness with the stock-scarcity factor for rationalizing everlasting bullishness.

"There was worry that the country might be running out of common stocks. One reason prices of stocks were so high, it was explained, was that there weren't enough to go around, and accordingly they had acquired a 'scarcity value.' Some issues, it was said, were becoming so desirable that they would soon be taken out of the market and would not reappear at any price. [1929]."

The Chronic Difficulty of Timing

Perhaps this book's most constructive service is its demonstration of the insuperable difficulty of *timing*—the disastrous results to those who were "right" but at the wrong time. He gives many examples of the right-in-'28-wrong-in-'29 boys, in both high and low places. Thus, the highly-respectable Harvard Economic Society depicting business conditions in early 1929 was bearish, feeling that a recession was overdue; only to confess its "error" and turn bullish when the setback had not appeared by the summer of 1929; subsequently and stubbornly insisting that protracted liquidation was impossible, until its own resultant liquidation.

How one becomes convinced by the seemingly inexorable pressure of the prevalent "realistic" pressures is similarly shown by the Stock Exchange's attitude toward the so-called investment trusts of the time—in first showing extreme skepticism and later conferring its hospitality on all variations of the pyramided holding company and stock-jobbing device.

A dramatic example the results of being right-too-soon is shown in the case of the experts who speculated with the funds looted from the Union Industrial Bank of Flint, Mich. In the spring of 1929 the embezzling group's stock buying had put it ahead by about $100,000. Then, seeing that stocks were too high, it "wisely" went short just as the market soared into the blue yonder of the summer sky. This was so costly, psychologically as well as financially, that the group, convinced and chastened, returned to a long position—just before the climactic crash.

The impact of the timing difficulties is succinctly summazired by Dr. Galbraith: "Indeed the temporary breaks in the market which preceded the crash were a serious trial for those who had declined fantasy. Early in 1928, in June, in December, and in February and March of 1929 it seemed that the end had come. On various of these occasions the 'Times' happily reported the return to reality. And then the market took flight again. Only a durable sense of doom could survive such discouragement. The time was coming when the optimists would reach a rich harvest of discredit. But it has long since been forgotten that for many months those who resisted reassurance were similarly, if less permanently discredited." And all of us who lived through those time of emotional euphoria can recall the awful emotional beating necessarily taken by any non-conforming disbeliever.

Similarly, the impossibility of timing the effect of specific causes of major as well as minor market movements is demonstrated. As in subsequent eras, there was no objective reason for easy credit stimulating a speculative orgy in 1928 and 1929, any more than at any other period. The only answer lies in the quirks of mob psychology. "Far more important than the rate of interest is the mood," Galbraith agrees.

This history is constructive in stimulating the reader to make some interesting conclusions of his own. For example, the mid-century aftermath to some of those crazy New Era ideas as well as prices. Some of 1929's glamorous "pie-in-the-sky" new industries, as aviation and radio and even television, subsequently recognized by 1932 as wild dreams, have come through by 1955. And quotation-wise, many of the stocks which from their 1929 "stratosphere" were post-Crash thoroughly debunked and deflated, have by now entirely retraced their descent to exceed those former "fantastic" peaks. What shall be our conclusion?

The appearance of the work is most timely. It comes when so much of the public is bemused and beset by the question whether another 1929 is here—a query highlighted by the Fulbright Committee's highly-publicized study of the stock market, at which Senatorial hearings the author was a prominent and controversial witness (pinch-hitting).

All the more disappointing are some of the questions left unhandled or hanging in the air. Besides the above-cited query regarding the 1950's catching-up with 1929 dreams, one must query omission of conclusions about the significance of the current mad speculation by the amateurs in uranium stocks. Is this a compartmentalized part of the speculative picture, from which the more serious investment community is immunized, or shall we regard it as a significant portent?

What was the true significance of the 1926-terminated Florida real estate boom, and does it have any correlation with the present uranium orgy?

Gaps for Future Attention

There is the question of whether, and if so how far, bankers and other financial resources, should support a breaking market, concerning which Dr. Galbraith does not seem to have made up his mind.

Another major omission of the book lies in concentration on recounting the abuses revealed by the so-called Pecora Hearings on Stock Exchange practices, and skipping over the manipulations carried on through the security affiliates of the commercial banks, as fully brought out previously (by a sub-committee of the Committee on Banking and Currency of the U. S. Senate pursuant to Res. 71, 3); and leading to major remedial legislation before the enactment of the cited Securities Act of 1933 or the Securities Exchange Act of 1934. The volume might well substitute discussion of the significance of this far-reaching device of the times, for its easy picking on Mr. Mitchell's personal income tax avoidances.

Additionally Professor Galbraith has left an important gap in omitting a thorough consideration of the subsequent effect of the extended Federal regulation via SEC administration of the several New Deal statutes, in remedying the former abuses and reducing the impact of the proclivity to speculative excess. And surely this is relevant to that, question about whether we are in for an imminent 1929 encore.

Perhaps in a subsequent volume our author will fill in on some of these inherently implied leads.

In any event, our present witness seems unable to make up his own mind about the answer to the $64 question whether we are facing another Crash, which he poses. He knows that in 1935 the speculative public would not have launched such a venture. But by 1955 even he apparently is not so sure—either way. Can it be that actually there is no "answer"; as about so much making up that conglomeration of psychological forces—the stock market!

(And, please, in your next volume on the subject, Professor Galbraith, do express stock and market price changes as significant percentages instead of merely in points.)

Prospective Inflation And Investment Policy

By JOHN LEEDS KERR*

President Kerr & Co., Engineers

Mr. Kerr expects further inflation, with higher stock market. Cites three stages of inflation: pre-War; War-time, and present period where emphasis by nation's leaders is on avoidance of depression at all costs. Maintains our income tax system is greatest single inflationary factor. Sees possibility of short intervening periods of deflation. Concludes best defense of capital is firm determination to hold common stocks despite world's uncertainties; with cash or bond holdings in excess of reasonable reserves actually proving more speculative.

Our entire investment philosophy is based on certain basic premises including the viewpoint that further inflation lies ahead and that at least in the earlier stages of such a trend, the course of common stocks, with some corrections from time to time, will be upward. The word inflation makes the average American fearful. Bankers do not like to hear the word mentioned. Ten years have passed since the end of World War II. What has happened since 1945—what is happening today—seems likely to continue happening for years to come. We are now on a new price plateau. We are at a new level in business activity. We are in a long-term upward spiral of government spending and taxation. It is time to stop deceiving ourselves. We are not going back to the prewar world, to the prewar dollar, or to prewar taxes.

John Leeds Kerr

Actual Inflation versus Potential Inflation

An inflationary condition can be created by various means which may, or may not, result in actual inflation. Prices frequently rise for reasons other than inflation, and it is obvious that all price rises do not necessarily result from inflationary causes, and an expansion of currency similarly does not always suggest that currency inflation is inevitable. After the condition of inflation has been created, by any expansion in purchasing power which is abnormal in relation to possible production, actual inflation, which depends on the turnover velocity of total potential money in circulation, can then occur.

Despite the deficit financing of the New Deal era, the actual stock of money in circulation never gained any great velocity, and as a result, we had deflation instead of inflation. It will be recalled that President Roosevelt stated that copper prices were too high at 14c in February, 1937, and people were scared. Business leaders lacked confidence and the President's comments were enough to bring about the sharp 1938 correction. This is an example of how an inflationary condition can be created that does not result in inflation, but it does not alter the fact that for many years we have been engaged in setting up a highly dangerous inflationary condition. By this I do not predict a ruinous monetary inflation in the United States at any time within the foreseeable future, but it is very important for investors to be aware of the dangers of inflation.

One has only to read history in order to see what has happened to once-great nations which were ravaged by the disease of inflation. In every case that I have read about, the malady started in the same way and ultimately brought about debasement of the currency and ultimate disaster.

*An address by Mr. Kerr before Trinity University, San Antonio, Texas.

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SEC Powers Limited to Preserving A Free and Unmanipulated Market

By RALPH H. DEMMLER*

Former Chairman, Securities and Exchange Commission

Retiring Chairman, in describing the role of the Securities and Exchange Commission in the capital markets, points out it has no power to check the popular will to speculate. Says securities markets are basic to the American economic system, and one of the chief aims of the securities laws is dissemination of business and financial information about corporations having securities in the capital markets. Discusses credit control in securities transactions as determined by the Federal Reserve Board. Sees no need for further legislation regarding securities markets.

Before entering into any detailed discussion of the operation of the Securities Exchange Act of 1934, I would like to make some general observations about the role of the Securities and Exchange Commission in the capital markets generally, that is, the trading markets and the market for original issue of securities.

Ralph H. Demmler

The Commission has no statutory responsibility bearing directly upon general market price levels, as such. The Commission's powers are generally the antithesis of price regulation. They are powers calculated to preserve a free and unmanipulated market. Nor does the Commission possess either power or responsibility to impose direct economic controls on price movements. Thus, although our activities under the Securities Exchange Act include enforcement of rules relating to margin requirements, the duty of prescribing these rules "for the purpose of preventing the excessive use of credit for the purchase or carrying of securities" was delegated by the Congress to the Board of Governors of the Federal Reserve System.[1]

The Securities Exchange Act of 1934 was directed against certain abuses, discussed at length later, namely: (1) laxness of exchange administration; (2) inadequate information; (3) manipulative practices and activity in aid of such practices; (4) unfair use of inside information; (5) inadequate disclosure in obtaining proxies; (6) harmful practices of brokers and dealers; and (7) the excessive use of credit and excessive speculation made possible through low margins.

The Securities Exchange Act of 1934 did not, except for the provision for margin requirements to prevent excessive use of credit, provide any direct check on the popular will to speculate. To be sure, various prohibitions of the Act were designed to dull some of the shiny allurements which the market may have held out, but the Act leaves the individual free to go into the market if he so desires. In fact, the restoration of investors' confidence, a confidence created by an honest market, was one of the aims, not only of the Securities Exchange Act of 1934, but of all the Acts administered by the Commission.

The securities markets, the operations of which your committee is examining, are basic to the American economic system. The capital markets for original issue—public offering and private placement — have provided the means by which in the last 20 years approximately $100 billion of corporate capital funds have been raised. The expansion of the nation's industrial plant, on which our economic and military strength depends, in turn is dependent on continued investment of capital. For the last three years about 30% of the cost of new plants and facilities has come from new investment, that is, from funds raised by the sale of new issues of securities in the capital market. If, therefore, the United States is to maintain its basic system of free private enterprise—a system which has given the people of this country the highest standard of living ever known and projected us into a position of preeminence in world affairs—and if that system is to continue to create the production and distribution facilities required to provide a continuously improving standard of living for our people and to sustain the nation's economic might, there must be a continuous flow of new investment capital. The trading markets — both exchange and over-the-counter—make possible the existence of the markets for original issues of securities. Moreover, several billions of dollars of securities originally sold to the public as convertible debt issues are gradually being converted into equities. This is a process in which the trading markets serve the important economic function of transplanting capital borrowed from the public by way of convertible debt into the permanent common stock structure of the nation's corporate capital.

The capital markets for original issue and the trading markets must be operated in a manner which will justify continued public confidence so that their vital function in the economic development of the nation can be carried out in the years ahead.

I have pointed out that the Securities Exchange Act is directed largely at specific abuses found to have existed by the Congress. The Securities Exchange Act, however, is only one of six statutes administered by the Commission.[2] I do not propose to review in detail the Commission's function under statutes other than the Securities Exchange Act of 1934, but I think it would be of assistance to this Committee if I analyzed the allocations of responsibility which the several securities laws make to investors, to brokers, dealers and underwriters, to the exchanges, to associations of securities dealers, to the courts, and to the Commission.

I used the words "allocation of responsibility" because of a tendency on the part of many to think that the Securities and Exchange Commission is a kind of guarantor that all is well; a tendency to think that the existence of the Commission eliminates the necessity of the investor's exercising intelligent standards of selection in the choice of his investments or in the choice of his broker; a tendency, if you please, to feel that the disciplinary power of the Commission is a substitute for self-control. Also there is a popular fallacy that if a security has been registered with the Commission, either for sale as a new issue or for listing on an exchange, the Commission has "approved" it. Nothing could be further from the truth. The Commission has no power to approve or disapprove securities under the securities acts and for a person so to represent in the sale of securities is a criminal offense. I am sure there is a widespread belief in all segments of the American pubic that the Commission has much more power than, in fact, it does have or than it could effectively exercise if it did have it.

The various securities laws considered together are based upon several legislative policies which can be classified as follows: (1) requirements for disclosure; (2) prohibition of certain unlawful acts; (3) imposition of civil and criminal liabilities and penalties; (4) exercise of certain administrative and regulatory powers by the Commission: and (5) self-regulation by national securities exchanges and registered associations of securities dealers.

Let me give a few examples of each of these legislative policies and then let me draw certain conclusions as to the responsibility

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*A statement by Mr. Demmler for the Senate Committee on Banking and Currency in connection with the Study of the Securities Markets, March 22, 1955.

1 See Section 7(a) of the Act.

2 The others are: The Securities Act of 1913; the Public Utility Holding Company Act of 1935; the Trust Indenture Act of 1939; the Investment Company Act of 1940; and the Investment Advisers Act of 1940. The Commission also has some functions under Chapter X of the Bankruptcy Act.

Securities Salesman's Corner

By JOHN DUTTON

People Are Interested in Canadian Investments

Enlightened American investors are continually taking advantage of the splendid investment opportunities inherent in Canadian securities. We use the word "enlightened" advisedly as many otherwise well-informed investors are, unfortunately, not acquainted with the long-term earnings stability enjoyed by numerous companies and banks in Canada.

The extent of this stability is graphically depicted in the article published in the "Chronicle" of March 24 bearing the title "Canada: Dynamic Domicile of Enterprise Capitalism." The article included in tabular form a long list of Canadian listed stocks which have paid consecutive cash dividends from *5 to 126 years.* Also shown for each of the companies and banks eligible for inclusion in the study was the amount of dividends paid, recent market price of the stock and the indicated yield.

The article in question, together with the list of Consecutive dividend payers, is being made available by the "Chronicle" in pamphlet form to fit into a number 10 envelope at the following prices: 1 to 199 copies at 15c each; 200 or more copies at 12c each. "Compliments of" and the dealer's name in the line below is imprinted in the space provided for this purpose when 100 copies or more are ordered. These reprints could be used very effectively to stimulate qualified leads for your sales organization.

A Suggested Advertisement

Using a double return card, or a newspaper advertisement, copy along this line might be productive of interested inquiries.

Growing Canada — An Investor's Opportunity!

Send for a free list of sound, growing Canadian companies whose common stocks have paid cash dividends consecutively for 5 to 126 years. A free booklet, *"Canada: Dynamic Domicile of Enterprise Capitalism,"* will be sent you on request—no obligation, of course.

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Telephone ___________ or mail coupon below for your free copy

Blank & Co.,
Main Street, Anytown.

Without cost or obligation please mail me a copy of your pamphlet on *"Canada: Dynamic Domicile of Enterprise Capitalism"* containing data on listed stocks that have paid consecutive cash dividends from 5 to 126 years.

Name_________________________________

Address_______________________________

The reason I am writing about this article which is available in reprint form is two-fold. First. I believe that the subject of Canadian investments is timely right now and should be of interest to "growth" stock investors at this time. The second is that I feel certain that one of the most profitable types of advertising any firm can do is to offer high grade investment literature that is informative and educational. If you will re-read this March 24 article in the "Chronicle" I think you will agree that it measures up on both counts.

Keep the Leads Coming

Think this out. Put a qualified salesman to work on a list of prospects that can buy, and who have the willingness to listen, and you are going to make money on that salesman's work and so will it be with him. But even the best and most conscientious salesman can waste time and energy calling on people who don't have the money, are not interested in securities, or who cannot be interviewed at a favorable time and place. Money spent on advertising that brings in leads gives your salesmen a dignified and proper reason to make a call. I don't believe in cold canvass, although some men and some firms say it works out—it is much better to have a "bridge-over" or contact point with your prospects. This type of advertising will help your salesmen meet qualified people.

Don't Forget

Good salesmen follow leads—by telephone, by letter, by personal call. They don't waste their firm's money by allowing leads to grow cold. Every lead should be followed within the week it is received at THE LATEST.

Modern Inv. Service

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Modern Investment Service Corporation has been formed with offices at 350 Lincoln Road to engage in a securities business. Officers are M. M. Linn, President; G. A. Bass, Vice-President; and A. Stein, Secretary-Treasurer.

J. C. Weiner Mun. Secs.

(Special to THE FINANCIAL CHRONICLE)

GENEVA, ILL.—John C. Weiner Municipal Securities has been formed with offices in the Securities Building. Partners are John C. Weiner, Leonard C. Mead, John A. Hennessey, Charles C. Lipschultz and Robert N. Lipschultz.

Makris Investment Firm

MIAMI, Fla. — Makris Investment Bankers and Company has been formed with offices in the Ainsley Building to engage in the securities business. Carlos S. Kakouris is a principal of the firm.

R. F. McCann Opens

(Special to THE FINANCIAL CHRONICLE)

VAN NUYS, Calif. — Ralph F. McCann and R. B. McCann are engaging in a securities business from offices at 16041 Sherman Way.

Mutual Fund Inv. Co.

Rubin Edelstein and Marvin Brown have formed the Mutual Fund Investors Co. with offices at 207 West 106th Street, New York City.

"Why Doesn't the Government Do Something?"

By FAYETTE B. SHAW
Assistant Professor of Economics
Chicago Undergraduate Division, University of Illinois

Prof. Shaw takes issue with the proposals, as exemplified in the Employment Act of 1946, that when the output of the economy fails to increase by around $30 billions each year, the government must step in and do something about it to prevent unemployment. Says such action would lead to unbalanced budgets and higher taxes or inflation. Says our standard of living does not come to us by government decree or waving of a wand.

Whenever there is a let-up in the pace of business, and employment shows signs of declining, a cry is raised over the threat of unemployment, and demands are made that the government "do something." This doing something invariably turns out to be an increase in government expenditures, particularly through public works, to get more money into circulation and provide purchasing power. Not long ago, a man well known to the public as an economist presented the opinion that unless the economic output of the United States be increased by $29 billion by the end of this year, the nation's upturn will be short-lived and unemployment will mount. Specifically he advocated:[1]

Fayette B. Shaw

The raising of personal income tax exemptions by $200. This would furnish about $4½ billion of purchasing power.

The raising of the legal minimum wage to $1.25 per hour, which should increase purchasing power by $2½ billion.

The increase of Federal spending by $3½-$3¾ billion.

The expansion of natural resources, including public works, by $1 billion.

A gradual increase in the outlays for defense and foreign aid, to an increase in the annual rate of $3 billion by the fourth quarter of 1955.

An increase in the aid to agriculture by $750 million.

An increase in social security benefits and a broadening and increase of unemployment compensation.

An increase in the building rate of slum clearance and public housing up to 300,000 to 500,000 family units annually.

According to this gentleman, these programs "would increase wage and salary incomes by about $15 billion a year; consumer spending by about $16 billion; farm income by about $4 billion; corporate profits by at least $2½ billion, and savings by about $3⅓ billion." And with all this, the budget could be balanced in 1956. Our national income would then be above $400 billion, and government revenues would be up by $4½ billion.

There are a number of comments to be made about this program. First, it certainly looks good. If purchasing power is inadequate, let the government, with its enormous resources, step in and provide what is lacking.

But the more I look at this, the more thoroughly convinced I am that this analysis, if it can be called by such a name, is wholly superficial and irresponsible. If followed out, if indeed it could be followed out, it would only lead to the necessity for more inflation, then more, ultimately destroying what I think he seeks to preserve. This program does not look beyond the immediate impact to the more remote results. Indeed, even before any one follows through to secondary effects and beyond, one cannot help but ask: where he gets his figures? How does he know that it will require $29 billion worth of increased output to accomplish what he says must be accomplished? And how does he know that each of these parts will produce what he says it will so that the total comes out nicely at $29 billion? He has it so neatly planned that one feels un-American to question it. After all, the welfare of the people is at stake.

Then there is another question concerning this figure of $29 billion. If we accept it as valid, which I do not, it is necessary to assume that there is to be no change in prices, but that the present price level will continue. But suppose that we could have the same physical output increase at $28 billion, $26 billion, or $25 billion, would the author of the program be satisfied? This would involve less increase in government expenditure. We know that some prices are going down, that despite the frantic efforts of fair-trade advocates, goods are not being sold at the prices set, and that careful shopping enables consumers to cut corners here and there, though admittedly not much now.

However, prices do change, and it is conceivable that a lower price level would provide us with the same or an improving standard of living, thus making this $29 billion figure look silly — as it does anyway. Indeed, lower prices would mean a higher standard of living for many, many people, and should not be looked upon as a national calamity, — a personal disaster or a godsend, depending upon where a person fits into the picture, but hardly a great tragedy unless it is too abrupt.

Next, one looks in vain for any clue as to who is going to pay for all of these things. As presented, every one is to receive, no one to give. The Biblical injunction is ignored, "By the sweat of thy face shalt thou eat bread." (Genesis, 3:19.) But perhaps in the rich United States this injunction no longer holds. Perhaps it should be revised to read, "By the sweat of somebody else's face shalt thou eat bread." There are many who advocate this, but the program does not show even this. How is the budget to be balanced in 1956? If no one is to pay, and yet government expenditures are to increase, it would seem impossible to balance the budget, yet we have his assurance that this will happen. Someone has to pay if $4½ billion is to be raised by increasing the personal income tax exemption by $200, if employees are to get higher minimum wages of $1.25, if the farmers are to receive $750 million more in aid, etc., etc., etc.

Another comment which should be made is that this flies in the face of all experience. Such a program would invariably mean an unbalanced budget, and anyone who has studied the economic history of the United States can see again and again where this policy has led us. In the colonial times the issuance of bills of credit was begun by Massachusettts in 1690 when the Commonwealth could not pay the soldiers engaged in an unsuccessful attempt to conquer Montreal. This was followed by successive issues in practically all of the colonies (including more in Massachusetts), at the behest of debtors and at the cost of creditors, until trade was actually decreased rather than increased, and there was a chronic complaint of lack of money. The Continental Congress issued the continental currency during the Revolutionary War with the same results, and virtual repudiation was the result. "Not worth a continental" is the last word in opprobrium. The war of 1812 involved borrowing and deficits with attending inflation and, later, reaction. The Civil War was financed mostly by the issuance of legal tender currency or greenbacks, as taxation and borrowing were insufficient, and this brought in its train inflation and ultimately depression. This pattern was repeated in broad outlines but not in detail during and after World War I. The unbalanced budgets of the 1930's and World War II have brought in their train the usual inflation, with loss of purchasing power to those who are on fixed incomes or incomes increasing less rapidly than prices, and those who have insurance (practically all of the people) or are working towards pensions and annuities. And this advocated program can only lead to more of the same malady.

There is a widespread opinion that the government can end unemployment and bring full production and full employment. Indeed there is a law to this effect passed in Congress in 1946, and since there is a law, why of course Congress and the government can do it. A lot of people are often charmingly naive. But look at the record. An editorial in "The Wall Street Journal" for Friday, October 22, 1954, page 6, says in part: "One myth is that the Administrations from 1933 through 1952 were able to deal effectively with unemployment . . . In 1933 the unemployment figure was nearly 12.9 million. Between 1933 and 1939 it never went below 7.7 million, despite the extensive pump-priming and make-work projects of the period. In 1939 it was almost 9.5 million. Thereafter, as the nation prepared for war, it declined and by 1944, when there were close to 12 million people in the armed services, it was down to a record low of 670,000.

"From 1946, the first postwar year, through 1948, the number of jobless was never less than 2 million. In 1949 it was well over 3 million. By February, 1950, it was nearly 4.7 million, and for that year as a whole it was more than 3.1 million. Even under the impact of the Korean war, there were not many less than 2 million idle in 1951 . . .

"The statistics themselves help to shatter some of the unemployment myths. There is, for example, no such thing as full employment in American industrial history, not even at the height of the greatest war effort ever undertaken, and not even at the height of the greatest peacetime prosperity ever known. The latter occurred in 1953, the first year of the present Administration; yet there were more than 1.5 million out of work . . .

"The greatest myth of all, perhaps, is that government, any government, can create full employment. We have seen that the Roosevelt Administrations could not come close to it and that the Truman Administration could not do it.

"For a government seriously to attempt to create and maintain full employment it must control labor. . . ."

But where lies the fallacy in such a program, if there is a fallacy? In the first place, the stimulation which comes from an increase of government expenditures is real. There is no doubt about that. Those who are employed on the new program feel it at once, and it is a fine feeling. The costs are spread so thinly over the whole population that they are scarcely felt. Therefore, a little inflation is a good thing. But a little inflation, like a touch of the pregnancy, always leads to something more. Let us get down to fundamentals.

Our standard of living does not come to us by government decree nor the waving of a wand. It comes to us because millions of people make daily decisions on how they will utilize their talents to acquire what they want. Goods and services pay for goods and services, or, to simplify it, goods exchange for goods, keeping in mind that services are an integral part of this process too. The use of money is a convenience to ease the exchange: People sell goods for money which they use to buy other goods, and all this hocus-pocus about what government can do to maintain full employment and production cannot change this fundamental. If a producer demands for his product more goods of others than they want to give in return, he cannot sell. Possibly, in a perfectly competitive society, it would be possible to make this adjustment easily, so that exchanges could take place constantly with little disturbance. That is questionable, for as long as individual men make their decisions, considering the frailties and imperfect knowledge of people, they are bound to make mistakes. But certainly in a society as complex and powerful as ours, it is even more difficult than under competition to make the necessary adjustments. Indeed, in a "mixed" economy, failure to make adjustments may intensify a depression

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[1] As summarized in *Business Week*, March 5, 1955, pp. 28-9.

Dealer-Broker Investment Recommendations & Literature

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

Amott-Baker Real Estate Bond & Stock Averages—Tabulation—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

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.

Banks and Trust Companies of New York — Figures as of March 31, 1955 — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Distribution of New York City Clearing House Deposits—Tabulation—M. A. Schapiro & Co., Inc., 1 Wall Street, New York 5, N. Y.

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.

Joint Ownership of Securities—Advantages and disadvantages, discussed in the current issue of "Wellington News"—Wellington Company, 1630 Locust Street, Philadelphia 3, Pa.

Life Insurance Company Stocks—Brochure on 11 companies—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Lithium—Data—Julius Maier Co., Inc., 15 Exchange Place, Jersey City 2, N. J.

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

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

Portfolio Suggestions—Suggestions for an investment of about $18,000—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Selected Investments in Canada—Bulletin—Nesbitt, Thomson and Company, Limited, 355 St. James Street, West, Montreal, Que., Canada.

* * *

Allied Stores Corp.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is a brief analysis of **Southern Pacific Co.** and a list of stocks with **Liberal Yield.**

American Automobile Insurance Company—Analysis—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

American Broadcasting-Paramount Pictures — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

American Broadcasting-Paramount Theatres—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Berkshire Gas Company—Report—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

Bird & Son—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available are analyses of **Chesapeake Industries** and **Polaroid Corp.**

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

Bullock's Inc.—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

L. E. Carpenter & Co., Inc.—Analysis—Boenning & Co., 1529 Walnut Street Philadelphia 2, Pa. Also available is an analysis of **Rockwell Manufacturing Co.**

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

Chicago, Milwaukee, St. Paul & Pacific—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Eaton Manufacturing Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Elox Corporation of Michigan—Analysis—Geo. Eustis & Co., Traction Building, Cincinnati 2, Ohio.

Federal Sign and Signal Corp. — Memorandum — Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

First National Bank & Trust Co. of Tulsa, Okla.—Memorandum—Austin, Hart & Parvin, National Bank of Commerce Building.

W. R. Grace & Co.—Annual report—W. R. Grace & Co., 7 Hanover Square, New York 5, N. Y.

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

Hodgson Houses, Inc. — Analysis — Draper, Sears & Co., 50 Congress Street, Boston 2, Mass.

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.**

Kellogg Company—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Masonite Corporation—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Minute Maid Corp.—Memorandum—G. A. Saxton & Co., 70 Pine Street, New York 5, N. Y.

Mitsui Mining & Smelting—Discussion in "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also available is a bulletin on Tax Revisions under the New Japan-U. S. Income Tax Convention.

New York, Chicago & St. Louis Railroad Company—Bulletin (No. 191)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 190) on **Missouri Pacific Railroad Company.**

Nortex Oil & Gas Corp.—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y. Also available is a report on **Lehigh Valley Railroad.**

Ohio Edison Co.—Annual report—L. I. Wells, Secretary, 47 North Main Street, Akron 8, Ohio.

Owens Illinois Glass Company—Analysis—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Pacific Gas and Electric Company — Annual report — K. C. Christensen, Treasurer, Pacific Gas & Electric Company, 245 Market Street, San Francisco 6, Calif.

Plymouth Oil—Bulletin—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

Signature Loan Co.—Memorandum—Chace, Whiteside, West & Winslow, 24 Federal Street, Boston 10, Mass.

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

Southern Production—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Westinghouse Electric, Safeway Stores** and **National Container.**

Texas Gas Transmission — Memorandum — Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Three States Natural Gas Co.**

Tennessee Gas Transmission Company — Brochure — Stone & Webster Securities Corporation, 90 Broad Street, New York 4, N. Y.

Tennessee Valley Authority — Discussion — Kentucky Report, Starks Building, Louisville 2, Ky.—available on subscription.

Texota Oil Co.—Memorandum—Piper, Jaffray & Hopwood, 115 South Seventh Street, Minneapolis 2, Minn.

United States Plywood Corp.—Memorandum—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

COMING EVENTS

In Investment Field

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.

June 7, 1955 (Detroit, Mich.)
Bond Club of Detroit annual summer golf outing at Plum Hollow Golf Club.

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

June 10, 1955 (New York City)
Municipal Bond Club of New York 22nd Annual Outing at the Westchester Country Club and Beach Club, Rye, N. Y.

June 10, 1955 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at the Whitemarsh Country Club.

June 15-18, 1955 (Canada)
Investment Dealers Association of Canada 39th annual meeting at the Manoir Richelieu, Murray Bay, Quebec.

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

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

Sept. 21-23, 1955 (Denver, Colo.)
Association of Stock Exchange Firms meeting of Board of Governors.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their summer outing on June 10, 1955, at the Whitemarsh Country Club, Whitemarsh, Pa.

Fred Kramer Forms Co.

HIGHLAND PARK, N. J.—Fred Kramer is conducting a securities business from offices at 126 Montgomery Street under the firm name of Fred Kramer Company.

Kenny, White Co. Formed

MINEOLA, N. Y. — Kenny, White & Company, Incorporated, has been formed with offices at 295 Willis Avenue to engage in a securities business.

Private Enterprise And Atomic Energy

By FRANCIS K. McCUNE*
Vice-President and General Manager
Atomic Products Division, General Electric Company

After recounting the record of private enterprise in promoting use of atomic energy, which, he claims, antedates government effort, Mr. McCune points out development of atomic energy must be carried on through the active cooperation of business and government. Mentions dangers of secrecy and the underestimation of the scientific and technical capacity of foreign countries. Urges: (1) unclassified information be made readily accessible; (2) some information now classified should be declassified; (3) creation of libraries of information for classified information, and (4) creation of formal procedure for providing access to people and plants.

Atomic energy antedates — by far—the government effort. The Manhattan Engineer District and the Atomic Energy Commission have been means of harnessing for the public large segments of privately developed knowhow.

Francis K. McCune

In our case, for example, I know that we were busily engaged in the atomic energy field over 20 years ago. We worked for the Manhattan Engineer District, we have been a contractor of the Atomic Energy Commission from the very beginning, and we are now very actively involved in developing peacetime uses of atomic energy. Throughout all of this period, our incentive has been the firm and unwavering belief that American industry should, could and would make a major contribution to the public welfare through research, development and production in this new field.

As one of the first companies in the atomic field we have come to appreciate the invaluable role that is played by your committee. The future of the atomic energy industry is affected by a large number of imponderables and uncertainties. Many of the forces which will shape the course of the future are of a magnitude beyond the control of any of the companies engaged in the atomic business. Confronted with these uncertainties, it is reassuring to know that a permanent legislative body of the high caliber of the Joint Committee is fully conversant, and actively concerned with atomic problems. It is encouraging to us that the group responsible for atomic legislation is so receptive to the views of those affected by its actions.

Increasing Role for Business

Anyone who has made a serious study of the atomic energy industry has had to accept one incontrovertible fact: the development of atomic energy must be carried on through the active co-operation of the government and of business. Under the 1954 Act it is unrealistic to think in terms of complete free enterprise. It is equally undesirable—as the 1954 Act has recognized — to proceed within the framework of a government monopoly. Industry must recognize the indispensable role of the government and the government must recognize the equally essential, independent yet co-operative, role which industry must play. Under the new Act, industry is expected to play an increasingly active, independent role in atomic developments, employing its own resources and making its own plans. Yet under the new Act entry into the industry requires government approval; knowledge of essential operating information requires security clearances, which are difficult to obtain; special nuclear material can be obtained only from the government, and can be disposed of only to the government, both at prices fixed by the government.

I am under no illusion that the successful operation of the "mixed economy" envisaged by the 1954 Act can be easily achieved. Quite the reverse. It will not be an easy job, for it is not a familiar one. To make a success out of such a unique economic relationship will require a vast amount of intelligence, patience and good will on the part of everyone concerned. We at G. E. will do our best to make it work.

Framework for Operation

As you well recognize, the passage of the 1954 Act was simply one step—though a very important one—in the development of an operating framework within which government and industry can work together effectively. The Commission's regulations must fill in the general outlines provided by the Act. Even after the regulations have been issued, the job will not be complete. In a new and rapidly developing field, the framework of the operating relationship can never be static. It must be sufficiently flexible to take account of accumulating experience and changing conditions. Yet at the same time, the framework must be sufficiently clear and specific so that conflicts based on uncertainties and misunderstandings will be kept to a minimum. This is a job which can never be completed in any final sense. There must be a continuing re-examination and redefinition of the relative roles and responsibilities of government and business.

This job of re-examination and redefinition must go on at several different levels. That there is a continuing legislative role is recognized in the Act itself. There is the general requirement that "the Joint Committee shall make continuing studies of the activities of the Atomic Energy Commission and of problems relating to the development, use, and control of atomic energy." In addition there is the specific injunction that hearings—of which the present are first—shall be held during the first 60 days of each session of the Congress.

AEC's New Role

The Atomic Energy Commission now has a new role as a regulating agency. In this role it is under a continuing obligation to keep its administrative regulations both specific and flexible enough to assure maximum progress. It is very important that the Commission recognize the responsibilities which flow from its unfamiliar new role as a public regulatory agency. Its actions will affect the activities of a whole industry. For that reason all segments of the new industry must be kept fully informed of all regulatory actions of the Commission. Not merely the regulations themselves but the decisions, interpretations and rulings relating to the regulatory system should be made public.

Let me note also that we were pleased to learn that the Commission plans to hold industry advisory conferences to discuss drafts of its proposed regulations and to submit those drafts for public comments. We are looking forward to this opportunity to assist in the formulation of the regulatory structure. This kind of interchange of ideas is absolutely essential to the establishment of a successful working relationship between industry and the Commission.

In appearing before you today to comment on the state of the atomic energy business I am, of course, somewhat limited in what I can usefully say by the fact that the Commission has not as yet issued the regulations implementing the new Act. We are not sure, for example, on what basis licenses will be issued, or what restrictions will be imposed upon licensees. The appearance of the regulations should answer many questions now hanging in the air. There are, however, two really basic issues inherent in the very nature of the atomic energy business. These questions are of such fundamental importance that they will be with us for some time. The first concerns industry's need for information and the implications of that need for the security program. The second involves the scope of the licensing powers and their effect on the development of a private atomic industry. Both questions raise the same central issue: How much freedom to exercise initiative shall private companies have; conversely, how much of a central planning role should the government exercise?

Availability of Atomic Information

I have become increasingly concerned about the need for more adequate information in order to operate effectively in the Atomic field. I realize, as you must have realized long ago, that this is a problem of enormous complexity, and that there are no easy answers. The reason why this is so, is simple enough. At bottom, there appears to be a conflict between the information requirements of industry and the demands of the security system.

It seems to me that to achieve the goal of *widespread* and *effective* private industry participation a re-examination of the atomic information and security system is required. More information than is presently available is needed for two important reasons. First, to attract new companies into atomic business; second, to permit those engaged in atomic work to make realistic plans for future progress. I will briefly discuss each of these points and their implications for the security system.

The achievement of the goal of widespread participation by private industry requires free access to large quantities of information about many aspects of the atomic energy industry. Bars to the availability of information about atomic energy cannot but operate as obstacles to entry into the industry. Information should be made available not merely to those who are already interested, but, perhaps even more importantly, to those who are not yet interested, for information is required to stimulate interest.

To achieve the goal of widespread participation, access to information cannot be restricted to those who have firmly decided to enter the atomic business. Responsible management is not likely to make serious decisions until a thorough and wide-ranging study has been made. Moreover, it is clear that after such a study many companies may decide that atomic energy is not for them. Thus it may well turn out that, in a good many instances, information will have been given to companies which may not put that information to productive use. This is a consequence which must be accepted if we wish to obtain widespread participation, for there may well be a direct correlation between the number of companies who are given access to information and the number who will enter the atomic energy business.

Industry Initiative

The new Act does not merely seek to broaden the base of the atomic business by encouraging more widespread participation. Inherent in the new Act, as we see it, is the idea that the nature and character of industry participation must change. Private companies will no longer merely be contractors carrying on activities prescribed in detail by the Commission. They are now expected to do more on their own, and to exercise individual initiative. This, too, has some clear implications in terms of access to information and the security system.

Under the Contract system the planning of practically all atomic activities was highly centralized. It was primarily the job of the Commission. The Commission, of course, possessed full knowledge of all aspects of the atomic business, and was, therefore, properly equipped to carry on the planning function. Private contractors who generated much of the information merely required the information from other sites necessary to perform a specified task. How much information that required, varied with the nature of the task. Even here I do not believe the Commission erred on the side of giving too much information to its contractors.

If industry is expected to plan its own future course in atomic

Continued on page 31

*Statement by Mr. McCune to the Joint Congressional Committee on Atomic Energy, Washington, D. C.

Are We Overbuilt?

By HERRELL DeGRAFF*
Babcock Professor of Food Economics
School of Nutrition, Cornell University

Prof. DeGraff reviews data relating to increased population and family formations, and though predicting some slackening in household construction is likely in the late 50's, says there may be another boom in a decade or so. Holds most distressing circumstance in the present situation is "mad-man financing," and scores the "nothing-down and thirty-years-to-pay" guaranteed VA loans. Criticizes lending institutions that participate in such financing.

How much life remains in the housing boom? For six consecutive years we have built in excess of a million new dwelling units a year—an unprecedented experience for any single year prior to 1949. World War II interrupted a rising trend in construction that started in the late 1930's. By the end of the war a deficit in housing had accumulated. Where do we stand now? Has the current boom eliminated the deficit? Are we threatened with overbuilding, as some students of the situation have warned?


Herrell DeGraff

The question of housing demand and construction rates is vital to lenders, builders—in fact, to the whole national economy. The answer hinges on two investigations: (1) the actual vs. the "normal" rates of building over the past 25 years, and (2) housing construction compared with household formation. Both approaches indicate that the boom may well have somewhat longer to run.

Over the past 45 years, the average rate of construction has been 4.5 new dwelling units annually for each 1,000 persons in the total national population. Whether this may properly be called a "normal" rate of building is subject to challenge, but it does represent a near half-century of experience. The actual rate has varied enormously from this average. In 1925 and 1950 it exceeded 8 dwelling units per 1,000; in the Great Depression it fell below 1 per 1,000.

In the period 1930-44, the actual rate of building was 2.4 per 1,000, while in 1945-54 it was 6.3 per 1,000. The average population in the first period was 131 million; in the second period it was 151 million. The number of dwelling units that normally would have been constructed in the 15 years of 1930-44 equalled 8,842,500; the actual number built amounted to only 4,731,500, or a deficit of 4,110,000 in relation to "normal."

The number of dwelling units that normally would have been constructed in the ten-year period of 1945-54 equalled 6,795,000. The actual number constructed totaled 9,623,800. The ten-year excess of dwellings in relation to the "normal" rate of building amounts to 2,828,800 dwelling units.

For the past ten years we have built at a rate substantially above the 45-year norm, adding 2.8 million houses more than would have been constructed at the "normal" rate of building. But a longer period of review—the 25 years since 1930—tells a different story. On this basis we still have not eliminated the deficit of construction during the 1930's and the war years. We still lack about 1.3 million dwelling units up to the end of 1954.

On the basis of population forecasts by the Bureau of the Census, the average population between now and January, 1960, will be 170.5 million. Thus, "normal" building would give us 3,836,000 dwelling units during the next five years. Add the shortage from 1930 through 1954 and we could build 5,120,000, or 1,024,000 a year, from now until 1960 without building beyond the long-time norm of 4.5 units annually per 1,000 persons.

On the basis of recent population projections by the Bureau of the Census, and still using the 4.5 units annually per 1,000 persons, housing construction between 1960 and 1975 could proceed at the rate of 1.3 million units a year. This figure is startling compared to our building experience of the past—but the population outlook also is startling. This calculation was based on a projected population of 213 million by 1975.

Some warnings of potential trouble to the housing industry have called attention to an unbalance between construction and family formation. In recent years, housing has been erected more rapidly than new families have been established. Obviously, such a situation cannot continue indefinitely. However, both the direction and the degree of any unbalance depend upon what period of years are reviewed—also upon whether *family* formation or *household* formation is used to indicate the market for housing.

The number of households not classified as families has been increasing over the years. In 1930 there were 1.9 million more households than families, according to the Census count. By 1954 households exceeded families by 5.7 million. In terms of housing, the households are the more important count since each household, whether or not it is a family, occupies a dwelling unit.

From 1930 to 1955, a total of 17,796,000 households were formed. In this same period, 14,355,300 dwelling units were constructed. This indicates a deficit of 3,440,700 units.

Judging from the history of the past building cycles and the present vigorous condition of the housing market, the evidence strongly suggests that several years of high-level residential building are ahead. Coupled with this, and definitely strengthening the outlook, is the remarkable current upsurge in population. It is now obvious that we are experiencing something more than a mere postwar increase in birth rates.

Some Slackening Is Likely

Some slackening in household construction is quite likely, perhaps more probable than otherwise, in the late 1950's and early 60's. But this almost inevitably will be followed by another boom a decade or so ahead when the oversize postwar baby crops begin to enter the housing market. How much intervening let-down we have will no doubt be influenced by how far and how feverishly we extend the current boom. We cannot go hog-wild now without paying a high price a few years hence in terms of a badly unsettled market.

From my personal view, the most distressing circumstance in the present situation is mad-man financing. This is the mildest acceptable term I can use to describe "nothing down and 30 years to pay." Department of Commerce reports show that to an increasing extent veterans are "purchasing" housing with no down payment and maximum-length maturities. One out of four VA-guaranteed loans in 1954 was closed with no down payment, compared with only 7% in 1953. Also, two-thirds of VA loans last year had maturities of 25 to 30 years.

Many lenders obviously are depending entirely upon the government guarantee to protect their amount of risk. Whatever the legislation may provide, I think this is not good business, and not good for a housing industry that is riding high on a prolonged boom. With no equity to start, a long maturity builds equity all too slowly for either borrowers' or lenders' protection. No more than a slight economic disruption can wipe out the thin cushion and result in distress sales. And only a small number of such sales can unsettle the housing market in any community, no matter who has guaranteed the mortgage.

Directors and officers of lending institutions that participate in such financing are contributing to a potential break in values and disruption of the whole housing industry in their communities. They shirk their responsibility to the industry each time they approve such a loan. It is painfully obvious that this is no time to feed the boom with nothing-down-and-$10-when-we-catch-you. Such an "owner" is bait for turning a boom into a bust.

The housing industry need not bust—at least in the near future. It has current strength and vigor, and potential good health for some time. But those of us who have responsibility for lending policy have potent medicine in our kit that may be used either to sustain the good health of housing or to contribute to disaster. This is a much more serious time than if we were not high on an 8-year-old boom. We should treat our responsibility with corresponding seriousness.

*Excerpts from an address by Prof. DeGraff at the 1955 Management Conference of the Savings Association League of New York State, Washington, D. C., April 12, 1955.

Chicago Analysts to Hear

CHICAGO, Ill.—Dr. Philip M. Hauser, Professor of Sociology at the University of Chicago, will address the luncheon meeting of the Investment Analysts Society of Chicago at their luncheon meeting to be held April 28 at 12:15 p.m. in the Georgian Room of Carson Pirie Scott & Co. Dr. Hauser will speak on "Population Trends and Investment."

Harry P. Talcott

Harry P. Talcott passed away April 18 at the age of 73. Mr. Talcott was senior partner of Talcott, Potter & Co., New York City.

Federated Securities Adds

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La.—J. D. Addison, George P. Baker, W. H. Dickerson, Paul Farmer, Marie T. Ferrera, P. S. Gaharan, Jr., Boyd C. Garris, Sr., Hubert H. Mizell, W. M. Nowlin, William J. Owens, Lionel J. Selse and W. S. Slocum have been added to the staff of Federated Securities Corporation, Louisiana National Bank Building.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Ingram P. Walters has become affiliated with Lester, Ryons & Co., Security Building.

From Washington Ahead of the News

By CARLISLE BARGERON

If you want to know why the Republican organization is steadily disintegrating, why the Democrats are continually making gains, notwithstanding that the Republicans are in control of the executive branch of the government, then listen to this little story.

The FOA, headed up by Harold Stassen, is among other things building grain storage elevators in foreign countries. This is one of our many ways of "shoring up" the economies of foreign countries so we can all live happily in a "free world."


Carlisle Bargeron

Well, quite naturally in these days when one of the best ways a business man can make money is to get some of the government business a group of California citizens, a couple of contractors and a grain storage constructor and others, decided they would like to get in on the grain storage construction business. The FOA has in mind building storage projects all over Asia, and the California group decided they would like to help mankind to the extent of getting the contracts for some of this work.

They spent several thousand dollars working up the designs, etc. for the project of building grain elevators in Pakistan. They finally came to having the contract in the bag, so to speak. They seem to have offered the best bid, all things considered, and FOA Administrator Stassen was for them.

Then, it seems that a couple of Missouri companies which had been hogging this FOA business, began to whisper in the ear of that great statesman, Senator Symington of their State. The Senator, who although only a few months ago, had been publicly beating his breast about the alleged abuse of suspected Communists and fellow travelers at the hands of the McCarthy committee, now turns this same committee completely around and uses it in behalf of the two companies in his state against the group of California citizens. Charging fraud and collusion on the part of the California group he proceeds to develop all the innuendos which he has in the past bitterly criticized as an exclusive McCarthy tactic.

At the end of the hearing he has proved none of his charges but he has created so much smoke that Stassen withdraws the contract from the California group, although insisting he, himself, can find no wrongdoing.

This constitutes Senator Symington's contribution to the business men of his own state.

But the affair was bigger than the California group. It was a political attack upon a Republican administrator so this gave Symington the stature of rendering a party political service in addition to that of serving his constituents. The smearing of "innocent citizens," as the expression goes when Communists and their ilk are being pursued, becomes secondary. The greater target is the Republican administrator Stassen. The California group just gets caught in the middle.

It so happens that one of those whom Symington tried to embarrass, W. G. Herron, head of the California group, is highly respected in Washington.

The point I am trying to make is what do the Republicans do in the face of this sham attack on a Republican official and upon a group of citizens who, I understand, are decent, substantial business men and presumably, therefore, conservative Republicans.

They do absolutely nothing. Through sheer laziness or disinterest they do not even attend the hearings which Symington is developing to his own ends. They are not concerned about either Republican Stassen or the group of California citizens.

This attitude of laziness or "don't give a damn" is apparently seeping through the Republican organization ranks throughout the country. In the first place, Republican organization workers haven't gotten the patronage which they expected and which is rightfully theirs. Secondly, Republican business men who have contributed richly to the party coffers find in all too many instances that they are subjected to the same treatment which the California group received.

When a group of business men with ideas such as the California group had, is subjected to their experience, you can imagine how they feel toward the Republican Party. Nowhere could they find a Senator to go to the bat for them in what was an obvious political squeeze. Not only was there nobody to go to the bat for them, there was no Republican to go to the bat for Stassen.

It remained for Symington, a Democrat from Missouri, to wreck their investment and embarrass them. That he was able to do so without a dissent on the Republican side is a commentary on the seediness to which the Republicans seem to have returned.

Berman, Nelson Join Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Katheryn D. Nelson, and Michael E. Berman have become associated with Hornblower & Weeks, Johnston Building. Both were formerly with Courts & Co., Mr. Berman as Manager of the local office, and prior thereto were with R. S. Dickson & Co.

John J. Hanes and Theodore G. Chandler have also joined the Hornblower & Weeks staff.

Joins Grover Fillbach

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif.—Edmund F. Delaney has become associated with Grover C. Fillbach, 226 East Olive Avenue.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Oscar A. Lehn has been added to the staff of Harris, Upham & Co., 523 West Sixth Street.

The Crisis in the Textile Revolution

By A. W. ZELOMEK*
Economist and President, International Statistical Bureau, Inc.

Economist maintains textile situation is critical in light of unprofitable operations and doubts whether it will take full advantage of existing opportunities for prosperity. Terms shocking the industry's recent decline in production and profits, as well as its general loss of ground in consumption. Urges attempt to sell bigger volume of better quality fabrics and garments at higher prices.

The word revolution has been used so frequently to describe the textile situation that I almost hesitate to select this title for my discussion. Actually, the word is not too strong. You know as well as I do what revolutionary developments there have been in the past few years.

A. W. Zelomek

The market is flooded with new fibers, with more yet to come. Finishes that were impossible only a few years ago are now commonplace.

Old fibers like cotton are being modified constantly, to an almost unrecognizable extent.

Blended fabrics and combination yarn possibilities increase geometrically with every new fiber and fiber modification.

We have fabrics now that can be dyed in one bath to look like tweeds, ginghams, or plaids.

Tufting machines need less than a minute to punch out a 9 by 12 rug.

Even the traditional concept of fabric is being broken down, as more of our textile fibers are used in non-woven fabrics, and even in paper.

I could continue this list indefinitely. There is no need to do so. A textile revolution is going on, and there is no doubt about it. And, as I imply in the title of this talk, this is a critical point in this revolution.

It is a critical point, first of all, because any point in any revolution is critical to its outcome.

It is a critical point because the textile industry, despite its new playthings and techniques, has operated unprofitably in the last year or two.

It is a critical point because the industry has a chance now to create a period of reasonable prosperity for itself.

It is a critical point because it is highly uncertain, at least in my mind, whether the industry is going to take full advantage of these opportunities.

Critical Point for Textile Profits

My purpose in coming down here, to this very important meeting, is to talk in practical and realistic terms, about how you people can sell more textiles and make better profits.

I have a selfish interest in seeing you make more money, because people like you are my customers and my clients. I can assure you that I am just as steamed up as you are about the opportunities for a bigger and more profitable textile business, because you are the people to whom I sell most of my services, special research, and my consulting and advisory work. And I have found from long experience that it is hard to sell you anything unless you are making money. You need my services even more when times are bad, but you simply won't buy them unless times are good. What's good for you is good for me. And it's my loss, too, if you people neglect the real opportunities that lie ahead.

*A talk by Mr. Zelomek before the Charlotte Textile Club, Charlotte, N. C., April 11, 1955.

Textiles Recovering from a Depression

The textile industry experienced a very serious recession in 1953 and 1954. Activity moved down in sympathy with general business as a whole, but the impact on textiles was much more severe than it was on most other industries.

In the latter part of last year, business began to improve somewhat, and this improvement has continued into 1955. It has not been sensational, and mill margins on most fabrics are still comparatively small. The improvement, however, has been sound. I have not found distributors, cutters, or anyone else buying far ahead and piling up inventories.

You know this history of the past year or two just as well as I do. I mention it here because a decline in production and profits of this magnitude is shocking. A lot of textile people had begun to believe that all they had to do was to turn out the fabrics and the garments. Then they were hit by this textile depression. Now they realize they must do a better merchandising job, and find some way to get a little bigger share of the consumer's dollar.

I believe the industry can do this. It will be a tough job, but it will be worth it.

The Sag in Clothing Sales

To see what the industry has missed, and to define its present opportunity, let's look at the record of clothing sales.

Consumer expenditures on clothing and accessories in 1939 were slightly less than $6 billion, and amounted to 8.4% of income in that year.

By 1953, consumer expenditures on clothing and accessories had increased to a little more than $16 billion, an increase of 176%. In that year, however, they amounted to only 6.5% of total income.

This merely demonstrates what we all know. As income increased, consumers spent more actual dollars for clothing and other textiles. But they didn't increase their spending for clothing and textiles as rapidly as they increased their spending for appliances, autos, new homes, travel, services, etc. In that sense, the textile industry lost ground. In fact, if consumers had spent 8.4% of income on clothing and accessories in 1953, as they did in 1939, total sales of these items would have been $5 billion higher. The industry, instead of suffering a depression, would have been operating at top speed.

Now, I **am not** going to tell you that retail sales of these items in 1953 should have been a full $5 billion higher. You can't expect a family with an income of $8 or $10 thousand, or even $5 or $6 thousand a year, to spend as big a percentage of this income on clothing as is spent by a family making only $3 or $4 thousand a year. As more low-income families become medium income families, and as more medium income families become high income families, the percentage of total income spent on textiles and clothing is bound to go down.

So I won't tell you that sales should have been $5 billion higher in 1953. A part of that "loss" was to be expected. But not all of it. We calculate, from our study of family income and spending patterns, **that the textile industry should have had about a billion more in sales at retail in 1953, and about the same amount in 1954.**

In other words, the industry is losing about a billion a year, retail, by not competing as effectively as it should for its share of the consumer's income.

Two Ways to Improve Business

To improve its position, the textile industry will have to try to accomplish two things:

(1) Sell a bigger total yardage; and

(2) sell a bigger yardage of better quality fabrics.

In my opinion, selling a bigger yardage of better quality and better styled fabrics is the most important. **Put that first.** Otherwise, you'll be tempted to concentrate on staples, to compete in terms of price rather than in terms of quality or style. **So trade up,** and encourage the cutter and the retailer and the consumer to trade up.

Let's look at the record, and see what can be accomplished by trading up. Expenditures for clothing and accessories increased by 176% from 1939 to 1953. However, a part of this increase merely reflected the rising price level. Wholesale clothing prices, from 1939 to 1953, increased by about 60%.

A part of the increase in total sales reflected a bigger unit volume. This increase in unit volume was close to 40%, according to our estimates.

In addition, total sales volume was increased by the fact that many people were able to buy better quality and more expensive items. This is what I mean by trading up. And it is very important, because it is easier for the industry to make a profit when consumers are trading up and looking for better quality than it is when they are thinking solely in terms of price.

This trading up from 1939 to 1953 would have been enough, according to my calculations, to produce a sales increase of about 22%, even if there had been no increase in prices or in unit volume.

How was this improvement in quality brought about? To what extent did it involve better fabrics? To what extent did it involve better workmanship on the part of the cutter?

Unfortunately, the cutter seems to have benefited more from this trading up than the mill. This is a problem the mill and the textile distributor will have to contend with. When the cutter finds that the public is trading up, his tendency is to put on added decorations or trimmings, or to improve the workmanship, **rather than to buy better quality and more expensive fabrics.**

Nevertheless, the fabric is the basic element in any garment. One of your problems is to convince the retailer and the consumer that a better quality fabric is worth a little higher price. If they ask for a better quality in the fabric, the cutter will give it to them; and we will have a bigger market for this type of fabric, and more trading up at the fabric level.

Textile Sales and Volume Prospects

What are the prospects for textile business and sales during the next five or ten years?

First of all, I believe we can expect a further expansion in business activity and consumer income.

I do not claim that there is no limit to economic expansion. But I do not see anything to make me believe that the limit to economic expansion has been reached. If we take a look at production indexes as far back as they go, we find that the economy has been expanding at a fixed rate of between 2% and 3% annually, ever since 1850. Business has its ups and downs; but over the long run these have followed a rising trend line, which at any time in the past could have been projected years in advance with great accuracy.

What will happen to clothing expenditures and textile business if this continues?

Let us assume, for the sake of simplicity, that wholesale prices remain relatively stable. If the textile industry can merely maintain its present position, and keep on getting the share it gets now of the consumer's dollar, this economic expansion will bring about a further increase in clothing expenditures of 50% to 55% by 1965.

We have assumed that wholesale prices will contribute nothing to this gain. Naturally if prices go up, the gain would be correspondingly large. With prices stable, however, what part of this increase will be due to bigger unit volume, and what part to further trading up?

I believe we can make a good estimate for unit volume. Per capita consumption of fibres and fabrics changes very slowly, and I don't believe we will go far astray making an estimate for 1965. Combine this with a population estimate for that year, and we have a reliable guess about the increase in the unit volume of textile production during the next decade. My figure for this comes out to be about 35%.

With prices stable, this means that there will have to be further trading up, if there is to be a dollar sales increase of 55%, to the extent of about 15%. Then our estimates will balance. Moreover, a gain in unit sales of 35%, and an increase in dollar sales of 15% caused by a growing proportion of better-quality and higher priced items, are both in line with past experience.

Record Could Be Better

The record shows that the textile and apparel industries gained less than other industries from the great expansion of consumer income from the pre-war to the post-war period.

This relative loss of position was not entirely the fault of the industry. But to some extent it was.

Most of the gain in textile and apparel dollar volume came from rising costs, which affected all industries.

Apart from that, the industries greatest gain was in unit volume, and its least gain was through trading up. I have no objection to bigger unit volume. But you lost a part of that unit volume in the second half of 1953 and in the first half of 1954, despite the fact that fabrics were sold at ruinously low prices.

To make the money you should make, and to stabilize your profits, you will have to do more effectively in the future what you have done less effectively in the past — sell a bigger volume of better quality, and higher priced, fabrics and garments, and a smaller volume of the staples for which the supply always exceeds the demand.

John R. Weerts Forms Co.

MIAMI, FLA. — John R. Weerts is conducting a securities business from offices at 245 Southeast First Street.

Automation in the Automobile Industry

By R. H. SULLIVAN*

Vice-President and Group Executive, Ford Motor Company

Ford Company executive traces trend of automation in the automobile industry and describes its nature and use as well as its advantages. Says, along with these advantages "we are running into a number of headaches and problems," both technical and human. Discusses automation in relation to labor displacement, and decries fear automation will lead to future unemployment.


R. H. Sullivan

The best way to start a talk on automation in the automobile industry is to fill you in on the historical background. At the end of World War II there was a tremendous pent-up demand for new trucks and automobiles—a demand that our prewar facilities couldn't hope to meet. The obvious answer was: expand and modernize. But this was not as simple as it sounded, because we were fast approaching the practical and theoretical limits of the old manufacturing methods and techniques.

Many of you may have seen prewar automobile plants. They were marvellous all right, in the same way that a Rube Goldberg contraption is marvellous. You admired their complexity — and perhaps wondered what held them together. Over the years, we had achieved considerable skill in throwing together a jungle of assorted tools and conveyors. Plant layout had grown into a specialized art requiring the combined skills of the engineer, the accountant and the three-dimentional chess player. As each individual process was improved, we made a piecemeal adjustment in the over-all production process, and as the automobile itself became more and more complicated, we frantically modified our techniques—and added to the confusion.

I don't mean that our factories had no automatic machines. In one sense we were too automatic —we had too many unrelated machines. We found, for example, that it was fast becoming impossible to utilize the full capacity of up-to-date machine tools, because men couldn't load and unload them fast enough by hand.

The trouble with our manufacturing methods was that, like Topsy, they "just grew," and nobody had taken time out for a long view. What we needed was a complete rethinking of the problem—a whole new philosophy of manufacturing. We couldn't afford to shut down existing plants while this rethinking and conversion operation went on, but we did decide that our new facilities would be new from the ground up and not just carbon copies of the old ones.

In place of the old, complicated maze of machinery, we visualized long, clean production lines along which our parts and materials would flow evenly and smoothly—just as fast as modern machine tools could handle them. The processes of automatic lubrication, scrap removal and, to some extent, quality testing would be integrated into the lines. The new lines would be equipped with various control devices to assure effective preventive maintenance.

The achievement of that dream over the span of a few short years involved a lot of work and headaches. Countless engineering and financial studies had to be made of the feasibility of automating each progressive step of the productive process. The machines we envisioned just weren't in existence, and we had to find machine-tool manufacturers with the ingenuity, breadth of vision, flexibility and technical know-how to translate our ideas into actuality. And when they had built the machines, we had to fit together the products of dozens of different manufacturers into a smooth-running system.

What Automation Means

The result was what has come to be called Automation. The word itself was coined by Mr. Del Harder, who was then Vice-President—Manufacturing of the Ford Motor Company and is now Executive Vice-President of the company. At Ford automation meant originally "the automatic handling of parts between progressive production processes." As other industries have picked up the term, the definition has been considerably broadened. Here is one contributed by Mr. W. E. Brainard of the Hughes Aircraft Company:

"Automation is more than merely transferring. Nor is it a pushbutton factory. It is a philosophy that may extend back to the design of the product. It is a new method of manufacture, not necessarily a new way of cutting metal, but a way of controlling the various processes. Automation is a philosophy of design, it is a manufacturing method, and it is control within a machine."

It might be helpful to indicate the scope of its use by listing some of the parts and assemblies that are included. Broadly speaking, these break down into six groups. In the order in which we have introduced them to automation over the past ten years, they are:

(1) Valves and valve-guide bushings.
(2) Pistons.
(3) Coil springs and wheels.
(4) Frames and rear axles.
(5) Hoods, doors, floor plans and other sheet metal parts.
(6) Engine assembly and components, such as cylinder blocks and cylinder heads.

You will note that as we went along, we got into more and more complex processes. Groups five and six were not automated until we had built new plants from the ground up. The list should also give you some idea of the wide variety of parts that have proved themselves adaptable to automated processes.

Automation has had at least four important effects on our manufacturing operations.

First, it enabled us to provide safer and healthier working conditions for our employees.

Second, we're getting better quality. There's less damage caused by parts bumping into each other or falling to the floor. In some cases, we've been able to build quality control gauges right into production lines and have tied them into our equipment.

Third, it has resulted in lower production costs.

And finally, we have been able to utilize our machines more fully and effectively. In some machines, the speed is determined by the length of time taken by loading and unloading operations. Automatic transfer devices make it possible to operate these machines nearer to their maximum rated capacity.

And of course, along with the advantages, we've run into a number of headaches and problems. On the technical side, we've had to develop better control systems, in order to keep the entire operation going at once, with each part in harmony with every other part. Tool control is another must. In order to keep downtime at a minimum, present spare tools are held in readiness to be put into immediate operation. Preventive maintenance is considerably more important than in less integrated manufacturing operations.

Frankly, we've run into some human problems, too. The replacement of manpower by machines obviously reduces the need for unskilled labor, and that has meant we have either had to train these workers or transfer them to other unskilled jobs. As I hope to show, however, the net effect has been to create more and not fewer jobs.

Labor and the Machines

And of course, since the machines require less direct labor for loading and unloading some people have been raising the old bogey of technological unemployment. You'd think that after a century and a half that scarecrow would have been laid to rest once and for all. Way back in 1811, the Luddites rioted in the streets of English cities in protest against the introduction of power looms in textile mills, and we haven't lacked for pessimists ever since who gloomily predict that machines are going to run man right off the face of the earth.

With your permission, I'd like to touch on this subject briefly.

We at Ford look upon ourselves as automotive manufacturers, not as social scientists or prophets. We are concerned with building more and better products at prices that more and more people can afford.

We don't claim to know what the more profound effects of automation will be. And we doubt that anybody does know for certain. We do know what happened when Henry Ford the Elder introduced the assembly line and mass production — higher productivity, more jobs, higher wages. And it seems reasonable to suppose that any process demanding more skill and less backbreaking manual labor cannot be all bad. Of course, we shall continue to need unskilled labor in considerable numbers, but the unskilled worker will contribute comparatively less to his job than in non-automated manufacturing.

Perhaps by looking at the past we can make a number of sound guesses as to what the impact of this new technique will be.

First of all, let's recognize that there is no great danger that automation will create sudden upheavals in our way of life. The automatization of American industry has ben going on for a long time and will continue slowly but steadily.

Our engine plants actually are a far cry from being fully automatic. In a completely automatic plant, giant electronic computers would carry the job through from start to finish. What we do have is a substantial improvement over past methods. Where once we had two, three or eight separate man-operated machine tools, we now have a single multi-purpose tool. Where once we had chain hoists and conveyor belts, requiring considerable manual handling of heavy rough pieces, such pieces are now moved automatically from tool to tool, mechanically turned, mechanically removed, and so on. In the process, a considerable amount of direct labor, often of a heavy and laborious nature, has been eliminated.

That's all very well, you might say, but where does that leave the fellows who used to be out there on the line?

I could answer that by asking: If we and other industries did continue to build the older, less efficient facilities, could we be sure of finding the people to work in them next year, five years from now, 20 years from now? In spite of all the automation equipment we have installed since World War II, Ford Motor Company's work force has grown by more than 50-thousand employees. According to "Business Week," if American industry had tried to supply 1954 demand using 1947 machines and methods, it would have needed more than 59-million workers—or 8-million more workers than there are in the total available work force.

A high level of employment is necessary, of course, for a high standard of living, because mass consumption is the prerequisite of mass production. But the real secret of a higher standard of living is increased productivity, which in turn generates more purchasing power and more jobs.

In fact, our problem over the next 20 years may well turn out to be finding **enough** workers to satisfy the needs of an expanding economy. The low birth-rate of the 1930s means that the actual work force will not be much larger. The high birth-rate which began after World War II and has continued down to the present day, however means a sharply increased demand for goods — in other words more output for less labor.

We believe, furthermore, that automation will create more, not less, jobs in industry, service and distribution. For example, the growth of automation is creating many new jobs in the electronic, machine-tool and other industries engaged in building new automated factories. Those industries, in turn, are expanding their own facilities in order to meet the growing demand, and that in turn provides jobs in the industries which provide the tools and plants for the electronics and machine tool industries.

Again, while automation may reduce the direct labor force in a given plant, it increases greatly the demand for skilled maintenance and repair technicians. We need many more engineers, electricians, mechanics, electronics experts, tool and die designers and makers, and the hundred and one other specially skilled workers required to keep the tremendously complex production lines in working order.

So it seems to me that, from the standpoint of the worker, automation will not eliminate jobs; it will supplant heavy, dangerous and unpleasant jobs with easier, more skilled, more pleasant and more interesting jobs.

Automation will bring vast new opportunities to many workers who are willing to work and learn. We are faced with the task of finding the best and brightest people in the work force and training them to the more skilled requirements of these new jobs. And anyone who receives such training, at Ford or elsewhere, is in a very fortunate position. He is in on the ground floor of what promises to be a tremendous factor in our industrial future.

By way of summary, then, we believe that automation is part of a tremendous force operating in the American economy to the benefit of all elements of our society. That force is productivity, and it means more and better goods for the consumer and more and better jobs for our workers. Steady year-by-year increases in industrial and agricultural productivity have already brought this nation to the highest material standard of living the world has ever known. Under a free enterprise system, the fruits of this productivity have been distributed through all strata of society. In other words, **more** people get **more** under our system.

But we cannot stand still even if we want to. We must constantly seek new ways to maintain and raise our standard of living, lest we stagnate or fall by the wayside. Insofar as it has already contributed to increased productivity and suggested ways in which productivity may be further increased, automation is playing a vital role in creating a greater and stronger America and a more abundant life for all of us.

In closing, I'd like to offer a few thoughts on what automation might mean in other industries. For one thing, it may not even be called automation — what we're talking about, basically, is improved machinery and more productive tools to do the work that men formerly had to sweat to do.

Automation has long been employed under other names in other areas of the economy. As far back as 1784 an ingenious Pennsylvanian built an automated flour mill, with a system of conveyors run by water power that picked up the grain and carried the entire milling process through to the finished flour without any human labor being involved at all.

The automatic dialing system used by our telephone companies can be considered a form of automation, and the big oil refineries long ago perfected automatic refining techniques. But the big contribution of automation as we understand it in the automobile business has been the linking together of machines by transfer equipment, so that for the first time we were able to handle heavy parts and materials on the continuous automatic flow basis that flour millers and oil refineries and beer bottlers had been using with loose or liquid materials—incidentally, without arousing any gloomy forebodings on the part of our social prophets.

In the hardwood producing business, this matter of transfer may not be as crucial as it is to us in Detroit, and perhaps automation as we know it is not the solution to your problems. But it seems to me that the same methods and the same kind of thinking that led us to automation can profitably be applied to your dilemma. The first requirement is to stand back and take a good hard look at your productive process as **a whole**. Only when you see it in its entirety will its internal logic—or lack of logic—be exposed.

The second requirement is boldness. Automation under any name is not a bargain-basement item. Generally it requires very substantial capital outlays. At Ford Motor Company we have spent more than one and a half billion dollars on capital improvements since World War II, a large part of it on automation equipment and automated plants.

And last of all, the businessman who goes in for automation has to be an optimist—a hard-headed, down-to-earth optimist, but an optimist all the same. The expense of automation presupposes volume production and volume demand for a comparatively standardized product. That means the automation—manufacturer looks forward to continued economic prosperity and a high level of consumption. You might say that the blue chips we have been putting into automation are a measure of the faith and confidence we at Ford Motor Company have in America's future.

*An address by Mr. Sullivan before a meeting of the Southern Hardwood Producers, Inc., New Orleans, La., March 10, 1955.

Proposes Plan for Broadening Market for State And Municipal Securities

National Planning Association recommends sponsoring of diversified investment funds, specializing in the securities of state and local governmental authorities. Under new legislation, these organizations could pass on the tax-exempt status of these securities to their shareholders.

The January, 1955, "Economic Report of the President" took note in the following terms of a developing problem faced by States and local government bodies in attempting to finance the growing volume of necessary and desirable public investment in schools, roads, hospitals and other types of capital improvements:

"It is also desirable to explore ways of broadening the market for bond issues of local governments, particularly those of smaller localities. . . . The market for small issues of little-known municipalities could be broadened by encouraging the establishment of a type of investment trust which would specialize in the securities of State and local governments, including their revenue bonds. To make the shares of such companies attractive to individual investors, the Congress should revise the tax laws so as to permit a regulated investment company, holding the bulk of its assets in the form of tax-exempt securities, to pass through to its shareholders the tax-exempt status of the income received on such securities. Such a 'pass-through' would be a useful extension of a principle already in use."

A statement of the National Planning Association Business Committee endorses the President's proposal and elaborates on the reasons why prompt action on it is desirable. Correction of the defect in our tax laws, according to the NPA, will make an early and welcome contribution to lowering the costs and increasing the efficiency of construction programs for schools, hospitals, roads, etc., both urban and rural.

The statement continues as follows:

"The States and most of the larger cities—the well-known issuers of securities with good credit ratings—have and will continue to have no difficulty in obtaining the prime rate of interest at the time they borrow, and of course even here the matter of timing is of substantial importance for the best results. But for secondary risks or for prime risks which are not well known or well understood, there is serious difficulty in securing the lowest possible cost that the market affords. This lowest possible cost can be attained only by bringing the borrowers into the best available markets wherever they may be, and to give them thereby the best access possible to those who desire to buy tax-exempt securities, be they individuals, insurance companies, the managers of trusts, or corporations seeking investment of their various reserve funds.

"Many existing investors and most potential investors in the bonds of State and local governments are not familiar with the range of these governmental units, of which there are now more than 60,000. It is a practical impossibility for them to take the time and the trouble to become acquainted with these units or to invest with confidence in their securities.

"During the 1930's, the problem was met through the use of Federal Government capital. Local governmental units sold their bonds to the Reconstruction Finance Corporation which in turn derived its funds from the United States Treasury. This depression pattern of financing would not be practical to meet future needs, even if it were acceptable. Arrangements are needed which will make it easy for private capital to supply as far as possible the funds required to be borrowed by State and local governmental units and to eliminate to that extent demands on the United States Treasury's borrowing power.

"A simple method for meeting this situation would seem to be to pool in diversified investment funds the securities to be issued for which the market is inadequate or non-existent. Under top quality and aggressive managements, the portfolios of such investment funds would be balanced and diversified, and their own securities would be distributed to investors who would rely primarily on the judgment of the managers of the funds in making their purchases. The number to be formed would of course depend upon the needs of buyers and sellers.

"Strange as it may seem, there are, so far as we know, no diversified investment funds specializing in local government securities. The reason is not hard to find—the investors in such a fund, if there were one, would lose the full benefit of the tax-exempt status of the securities in the fund's portfolio. Through what is probably an inadvertence in present tax legislatioin, the income it pays out to the holders of its securities is subject to Federal tax even though all or most of the fund's income may be free of tax. It makes no difference whether the fund is a closed or open-end trust.

"The working of this illogical provision of the Federal tax law is shown in the following:

Income which is *exempt* from Federal income taxes when it is paid into the investment fund (that is, the interest on State and local government securities)

is transformed into

Income which is *subject* to Federal income taxes when it is paid out by the fund to investors (that is, in the form of dividends on its own securities).

"This anomalous situation prevents the formation of diversified investment funds which could increase the flow of private capital savings into State and local government securities.

"Fifteen years ago, it was recognized by the enactment of the Investment Company Act of 1940 that the pooling of capital from large numbers of investors, and the diversification of investments under professional management, could be accomplished by passing through to the fund's shareholders for taxation its income and capital gains, leaving the fund itself untaxed. The rapid growth of diversified investment funds in the past ten years testifies to the soundness of the original analysis.

"But, unfortunately, the tax-exempt status of tax-exempt income has been destroyed, making the diversified investment fund technique useless in a field of growing public importance.

"A change is clearly needed that would make it possible for a regulated diversified investment fund to pass on to its shareholders the tax-exempt income which it receives without loss of its tax-exempt status, and the President the United States has recommended that this change be made.

"Assuming that the President's proposal receives early and effective execution, the Business Committee on National Policy of the National Planning Association recommends to those who have sponsored or might sponsor diversified investment funds that they take steps to bring one or more funds specializing in the securities of State and local governmental authorities into existence, and to make such securities widely available to the investing public.

"This proposal for the early establishment of diversified investment funds specializing in the securities of State and local governments is designed solely to facilitate the flow of private capital in response to the capital needs of State and local units of government throughout the country. Our endorsement is given without taking a position for or against the desirability of continuing the present exemption from Federal taxes of bonds issued by State and local public authorities. The proposal is directed primarily toward the improvement of the borrowing position of smaller and less well known governmental units by making their securities available and acceptable to a wider market than now exists.

"No one knows how much will be needed to finance construction and reconstruction under public sponsorship in the years ahead. The cities must be rebuilt, and part of this rebuilding will be done on private initiative and part of it will be done at public cost. Schools are believed to require an aggregate of $32 billion in the next decade. Hospital needs of between $10 and $15 billion are being examined. For highways, streets and roads between $50 and $100 billion in total sums have been projected. Whatever the totals may turn out to be, it is clear that the amounts required in the next decade will be far larger than the amounts spent in the past.

"It is clear, too, that only a small part of these costs can be met by current taxes. The remainder will be financed by borrowing, and the responsibilities of raising these vast sums will fall on public authorities. Prudence dictates that in the interest of efficiency and economy we should take prompt and appropriate measures to facilitate this financing and to reduce its cost."

EDITOR'S NOTE: A bill designed to accomplish the abovementioned objectives was introduced in the House of Representatives on March 24 by Congressman Carroll D. Kearns of Pennsylvania.

Harry F. Smith On Trip to East Coast

Harry F. Smith, President of Smith, Polian & Company, Omaha, will make a business trip to the east, leaving Omaha April 24. He will spend Monday and Tuesday in Pittsburgh, and will then come to New York where he will stop at the Hotel Biltmore.

Raphael Vogel Joins Amott, Baker Dept.

Amott, Baker & Co., Incorporated, 150 Broadway, New York City, members of the New York Stock Exchange, announce that Raphael Vogel has joined the Research Department and will be in charge of listed securities. Previously Mr. Vogel was with Wertheim & Co.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—William H. Greene is now affiliated with A. M. Kidder & Co., 400 Beach Drive, North.

Joins Remmele Johannes

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Philip L. V. Cosgrove III has become connected with Remmele-Johannes & Co. of Granville, Ohio.

With Beer & Co.

(Special to THE FINANCIAL CHRONICLE)

VALDOSTA, Ga.—Thomas A. Scott, Jr. is now with Beer & Co., 101 Toombs Street.

Two With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James T. O'Brien and Robert S. Schweiger have joined the staff of A. C. Allyn & Co., 122 South La Salle Street.

Link, Gorman Adds Two

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Luvesta A. Apperson and O. E. Simmons have been added to the staff of Link, Gorman, Peck & Co., 208 South La Salle Street.

Asst. Gen. Mgr. of Bank of Montreal

MONTREAL, Canada — Cecil Aulph, first agent of the Bank of Montreal in New York, has been promoted to the post of assistant general manager at the bank's head office in Montreal, Can. Mr. Aulph's successor in New York has not yet been named, but an appointment is expected to be made shortly.

Cecil Aulph

Mr. Aulph has been first agent at the bank's New York office since 1947, following two years as second agent there. Previously, he had had extensive experience in Ontario, where he was assistant superintendent of branches when he was appointed to New York in 1945. Earlier appointments included the assistant managership of the bank's main office in Toronto and in Winnipeg.

Joins Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Wallace J. Boyle has joined the staff of Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Boyle was previously with Cruttenden & Co.

F. E. Butcher Opens

(Special to THE FINANCIAL CHRONICLE)

DANVILLE, Ill. — Fred E. Butcher is engaging in a securities business from offices in the Baum Building. Mr. Butcher was formerly with Waddell & Reed Inc. and Cruttenden & Co.

W. C. Henderson Opens

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La.—W. Carter Henderson is conducting a securities business from offices at 3651 Southern Avenue.

With Mid Continent Secs.

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La.—R. E. Love and W. L. O'Neal have become affiliated with Mid-Continent Securities, Inc. of Wichita.

Connecticut Brevities

Plume & Atwood Manufacturing Company has recently completed and commenced operations in the new plant in Thomaston, Connecticut. The new plant, which is being operated by the Company under a long-term lease, was erected at a total cost of about $1,500,000.

Announcement has recently been made by **Landers, Frary & Clark Company** of its purchase of **Electric Steam Radiators Corporation** of Paris, Kentucky, maker of a line of portable electric steam radiators and thermostats. The purchase was in line with the company's announced policy of rounding out its lines of small electrical appliances and housewares. The new subsidiary was purchased for $800,000, payable over a five year period. The Kentucky plant will continue with its present management, although some operations may be moved to the main Landers plant in New Britain.

Electric Power, Inc., a wholly-owned subsidiary of **Connecticut Light & Power Company**, has filed with the Federal Power Commission an application for a 50-year license to build and operate a hydro-electric development on the Connecticut River at Windsor Locks. The proposal calls for a 3,050 foot wide dam which would create a reservoir extending up the river about 21 miles to Holyoke, Massachusetts. Three generators with a total capacity of 62,100 kilowatts will be installed. The present Enfield Dam, located above the proposed dam, will be removed because of the new reservoir would be five to six feet above the present dam. The cost of the new project is estimated at about $27 million.

Plax Corporation, subsidiary of Emhart Manufacturing Company and Owens-Illinois Glass Company, has begun construction of new buildings in Bloomfield. The first building will contain about 28,000 feet of floor space and will be used as a research center for plastics. Its completion, scheduled for September of this year, will enable the company to move its research operations from facilities presently shared with Emhart and will enable the latter to materially expand its research operations. The second building, to contain about 11,000 square feet will be used to house the main Plax office, presently occupying leased space.

Stockholders of **Hartford National Bank & Trust Company** of record April 13 are being offered rights to purchase new shares of common stock at $26 a share on the basis of 3 shares for each 22 shares owned. Fractional rights will be available so that one share can be purchased for each 7⅓ rights. Rights will expire May 11. The new stock will increase the capitalization from 880,000 to 1,000,000 shares of $10 par stock. The management has indicated that it expects earnings to be sufficient to justify continuation of the present $1.30 dividend.

North & Judd Manufacturing Company is acquiring the assets of Wilcox, Crittenden Company, a pioneer in the manufacture of marine hardware, for about $2,100,000. The Wilcox plant, located in Middletown, employs about 400 and will continue in operation. In February, 1955, **North & Judd** acquired E. A. Bessom Corporation, a Massachusetts manufacturer of self-locking and wing nuts. The operations of Bessom are scheduled to be moved to New Britain. In January of this year North & Judd acquired the spot and spot-setting machine business of Milford Rivet & Machine Company.

New Britain Machine Company has acquired Koehler Aircraft Products Company of Dayton, Ohio, manufacturer of aircraft parts, principally hydraulic by-pass valves. New Britain itself has been producing a variety of aircraft engine parts on a subcontract basis.

Former Chronicle Man Joins First Boston Corp. As Vice-President

The First Boston Corporation, 100 Broadway, New York City, has announced that Milton C. Cross, who is currently director of technical operations of the International Bank for Reconstruction and Development, will join their organization on July 1, 1955. He will be a vice-president and a director. Prior to undertaking his two-year assignment with the World Bank in 1953, Mr. Cross was executive vice-president and a director of Harriman Ripley & Co., Incorporated.


Milton C. Cross

Mr. Cross' career in banking commenced with his editorial connection on "The Financial Chronicle" when he left the newspaper field to enter the old investment firm of N. W. Halsey & Co. in New York in 1916 which was followed by an 18-year association with The National City Company. He joined Harriman Ripley & Co., Incorporated in 1934 following dissolution of The National City Company.

In accepting the resignation of Mr. Cross from his present post, World Bank President Eugene R. Black said: "We counted ourselves most fortunate when in 1953 we were able to persuade Mr. Cross to undertake a 2-year tour of duty as the Bank's director of technical operations. Now that the two years are coming to an end, Mr. Cross can look back on an important job well done. Under his direction, the Bank's activities in appraising and following through on the projects it finances have been reorganized and greatly expanded, to the considerable benefit of both the Bank and its borrowers. My associates and I are most grateful to him for his splendid work."

Continued from page 3

Some Public Policy Implications Of Automation

to see during the recent world war when manpower was scarce and it was necessary to resort to more mechanization to increase production. A plant which was as efficient as many had hoped the ordnance plant at Rockford would be, would have then been readily acceptable without fear or question. If a factory, no matter how automatic, could save manpower for other jobs in the military effort, so much the better.

Why, then, are we concerned about automation today, even to the extent of holding such enlightening conferences as this one in which we are participating? The process of obtaining the maximum product with the last effort —the best use of our human and physical resources—is a goal for which we must strive just as vigorously under the conditions of the cold war as we had to do during the hot war, and as we must now do during the more active phases of the ideological struggle which our generation faces. It is certainly clear on the side of production that good public policy must accept the fruits of automation and encourage its progress to the extent that they improve living conditions for a constantly expanding circle of people.

It is clear that good government really exists to promote human welfare and that its paramount interest and duty lie in promoting the well-being of those who live under its shelter. Good public policy must, therefore, make certain that the human costs of material progress are kept at a minimum. If automation is to turn workers out on the streets, forcing them to compete with each other in a bitter struggle for ever fewer and fewer jobs, public policy dare not ignore it. Mass unemployment and economic depression would be almost as damaging to the foundations of our free society as the threat from without. So we are necessarily talking about Federal policy.

Fortunately, in this respect the Congress of the United States has already taken a long step forward under the Employment Act of 1946. Under that Act, the Federal Government has obligated itself to use its resources to create the conditions making for maximum employment—that is, to foster and promote conditions which will afford job opportunities for all those who are desirous and capable of working.

The greatest obstacle to the advancement of automation and the realization of its productive fruits lies in the possibility that the economy would fail to find other useful work for those who might be displaced by it. The whole process of increased production at one point would be defeated if human resources are wasted elsewhere. Both from the standpoint of needing the increased product and from the standpoint of performing its proper role in respect to its people, government must see that individual human beings are not made to suffer because of our vaunted technological progress. Public policy must consequently beware of and anticipate the temporary and long-run problems which may arise from such developments. Simply because we recognize and discuss these problems is, of course, no reason for fear.

Some of the Implications Which Need Study

During the time when the Temporary National Economic Committee was studying the structure and trends in American industry, we devoted considerable time to this problem of impact and significance of technological development upon the country. At that time we had to consider these developments against the backdrop of sizable unemployment. Happily, that is less true today, so that if we plan ahead we can do so calmly and rationally.

It seems to me appropriate, therefore, that we again look at these trends and development in the light of the newly accepted responsibilities of Government in helping to insure adequate job opportunities.

Since the Joint Committee on the Economic Report is charged with the responsibility of making continuing studies of matters relating to employment, stability, and growth, that Committee tentatively plans to probe deeper into the subject matter behind the title of this speech—"Some Public Policy Implications of Automation." The subcommittee which is considering this study has, of course, not fully formulated its plans. I cannot, therefore, say precisely what the subcommittee will do or what other members may have in mind in this respect.

Speaking, thus, for myself, I hope and expect that we will try to find out how automation may be made to pay its way in terms of human welfare. More specifically, we are concerned with how should public policy be adjusted to deal with such things as: (1) the possible and probable displacement of personnel (2) the possible shifts and distortions which may arise in the distribution of mass purchasing power; (3) the sound and equitable distribution of the expected gains in productivity; (4) the impact of automation upon our business structure. There are doubtless a number of other questions which may come to mind as we go on—for example, the effect of automation upon the volume and regularity of private investment. But let us look a little more specifically upon the special problem areas thus suggested.

Responsibilities to the Displaced Worker

Since Government and public policy deals with human beings, public policy is particularly concerned with the displacement of personnel. One must be concerned about this as a short-run problem, even though one has confidence that the necessary adjustments can and will be made in the longer run. Whether or not a given bit of technological advancement actually creates as many jobs as it wipes out, no one can know. In the long run, the answer is "Yes." In the short run, it is too often "No."

We do know that in the past we have in this country witnessed startling new technological advances which in the end have reduced costs and added to the demand for goods and services, so that more and more people have been employed. Introduction of the dial telephone has brought with it expanded use and resulting investment and expanded payrolls. The delivery of ready-mixed concrete has certainly made for more construction and hence more jobs in the construction industry than we might ever have hoped for under old methods of the gravel sieve, the shovel, and the cement-mixer's hoe.

The fact that we have adjusted to wave after wave of technological advance in the past is too obvious to need extensive demonstration. The resultant capacity of American industry to produce an ever increasing volume of goods and services out of its manpower and machines has been a striking characteristic of our economic development. It is important that we preserve the conditions which have given us this self-generating force for economic good in the past. The fact that we have been able heretofore to adjust to technological progress is no guarantee that we shall be able to adjust as successfully to automation. This arises from the fact that automation necessarily is a change which will affect the whole country in a comparatively brief time, while most technological changes in the past were gradual.

The feeling of satisfaction over past gain does not, of course, belittle the hardships by way of loss of income suffered by displaced workers themselves while looking for and adjusting themselves to a new job. It does not belittle the individual tragedies which come when a man's hard-earned skills are suddenly made obsolete by introduction of new robots and techniques. Rather, it is a warning that a policy of drift would be dangerous in the face of automation.

We have, it is true, built into our economic and political system today a program for unemployment benefits. These should serve as a partial cushion for sudden displacements. Unemployment compensation is, however, almost of necessity a short-term palliative. We ought to know how much faith we can put in it in the face of automation. We certainly cannot depend upon it to the extent of dismissing the questions of proper public policy toward jobless workers, no matter how temporary their displacement may turn out to be.

The subcommittee of which I have spoken should, I believe, give consideration to just what the Government can and should do in the way of assisting and retraining those displaced or likely to be displaced. It seems to me that the first cost of retraining should, as they say, "fall upon the industry." It should not be allowed to fall upon Government, making it necessary for Government to "make work" by public expenditures on what was called "boondoggling" during the recovery movement in the early 30's. The principle upon which all policy should be based, it seems to me, is the recognition of what the founders of the Constitution had in mind when they established this nation. They were thinking of people, they were thinking of justice, they were thinking of tranquility, they were thinking of welfare, they were thinking of permanent liberty—and all these objectives, so clearly set forth in the Preamble to the Constitution —were meant for the enjoyment of the living man.

Every technological improvement in our age which necessarily affects the national social, economic, and political system must be weighed by the humanitarian standards of the Constitution. It should be able to pay its own way, not merely in terms of the obsolescence of existing plant and machinery, but in the more fundamental sense, giving due recognition to the human costs by way of severance pay and retraining and improving worker skills.

Automation, like other technological developments, usually calls for an up-grading of jobs. It increases the opportunity for talent but at the same time greatly increases the need for specialized training. This is particularly true of the maintenance and operation of highly technical electrical and electronic equipment. Since standards of education are generally considered a public responsibility, social responsibility will mean that the Government must adopt policies which will assure old as well as new workers the opportunity to secure needed retraining. If public policy allows private employers to shirk this responsibility, it will have to be accepted as a public responsibility in any case.

Possible Effects on Purchasing Power

Another question to which I believe Congressiional consideration should be given involves the possible distortions which may arise in the distribution of purchasing power resulting from the substitution of automatic devices for human labor. Automation must never be permitted to make an automaton of the man. If it should result merely in the production of more products with fewer persons receiving the purchasing power with which to take the increased supply off the market, it would defeat itself. Automation will succeed only if it continues to increase demand for the enlarged supply of commodities it makes, and at the same time creates an ever-expanding purchasing power among the masses to make the necessary market. This market can be created, where automation is used, both by more leisure and more salary for the workers.

We know that consumers have urgent and expanding needs. We know that these needs are translated into actual, effective demand, however, only when consumer purchasing power keeps pace with the ability to produce. While it is obviously true that the automatic factory will be a great user of materials and manpower, we ought not to forget, as Mr. Reuther has pointed out, that the automatic machines do not shop around at the department stores or durable goods stores to buy and consume their own output.

During the depression years, there was a recognizable absence of a widespread distribution of purchasing power. Since that time we have, as a product of considered public policy by fiscal and other means, brought about some reduction in the disparity of incomes. The introduction of automation must not be allowed to wipe out the progress we have made in creating the mass markets so indispensable to the success of the system of mass production. The collective capital which in the modern giant corporation invests in automation must be persuaded to recognize that higher skills and better training should be required of the supervisors who run these machines, and, therefore, that trainings for the social and economic responsibilities of automation are a proper cost of this technological progress.

Distribution of Gain in Productivity

It has been pointed out that the technology of automation is likely to find its fullest use in the so-called "administered price" industries where prices are notoriously insensitive to decreases in cost. Serious problems of public policy will thus arise if the cost savings in the costs of production are not passed through by way of the consumer price reductions needed to absorb the enlarged volume of production. We must anticipate this problem. We must not wait until unsold goods pile upon the shelves and we are in the midst of an inventory recession. If we neglect it till then, government will nonetheless be expected to counter by turning to the traditional anti-depression tools at its service — monetary, fiscal, and public works expenditures, for example. It is not a question of public policy or no public policy, but what public policy, foresighted or belated.

This leads us directly into the next question — how should the gains of automation and its increased production be distributed among workers, consumers, and investors? What can public policy do to help diffuse the gains throughout the economy as a whole? What, if anything, should public policy do so that they do not constitute permanent windfalls for those who happen to be sitting in the front row when the changes occur?

The immediate suggestion is the recognition of the fact that automation is a development which, unless it is properly regulated under existing authority of the Constitution, could easily become stronger than government itself. The American system of government was designed to guarantee that people, and not any group, or class, or individual, should be the source of the authority to which the people must bow. The modern world is face to face with the challenge of collectivism. Communistic collectivism and fascist collectivism are philosophies through which a self-chosen dictator or group of dictators control the government and tell the people what they may and what they must do. The democratic-republican system of government, upon the other hand, is one in which the people prescribe the powers of the government and tell their public officials what they may do. Under our system, trade and commerce are just as much under the authority of the people as are the courts, the Executive, and the Congress. When, however, collective industry, trade, and commerce can use automation according to the desires or the will of the private managers, without responsibility to public authority, then the American political system will be undergoing a revolution.

It behooves both capital and labor to understand this basic characteristic of our government. Certainly the owners of capital as a group must understand that automation may be successfully used only if it is used to create markets, not only by increasing demand but by multiplying purchasing power. And labor as a group could face the threat of unemployment with greater equanimity if there were assurances under public authority that the worker would receive his just share in the division of the increased product and wealth resulting from automation.

Mr. Reuther has taken a statesmanlike position when he recognized the desirability of technological progress, saying: "We will never question whether we want a big or little pie of national wealth to divide or deviate from our conviction that the big pie is always the easiest to split."

One way, of course, in which gains may be absorbed would be in a generally reduced work week. If we can get machines to do work heretofore done by men, we might look forward to a further shortening of the average work week. Within the lifetime of men now working, average hours have been reduced from 50 per week to just less than 40. Perhaps automation and the electronic age will do even more.

In connection with the possibility of increased leisure time, one can of course, find some hope that the burdens of displacement will be eased by an expansion of employment and investment in the industries serving our leisure-time activities. If the time should come when the three-day week-end became a reality, we can be sure that there will have to be substantial investment and large numbers of new jobs created in private recreational facilities as well as the public facilities—highways, parks, etc.

Effect Upon Our Business Structure

The government and the public have a great stake likewise in the impact of automation upon the business structure. Just what that impact will be is a matter for investigation and study. On the one hand, the movement is likely to call for expensive plant installations. Instead of an assembly line made up of a series of small, more or less standard machines, these will all be tied together into a mammoth, special-purpose, complicated machine. The result, it would appear, is almost certain to give added advantage to the large enterprises in the mass production industries. To the extent that the movement contributes to a further concentration of economic power, the necessity for large government to deal with these concentrations will be increased.

The advance of technology and of science in decade after decade has been ways and means of recovering from the junk-heap of old industries new values for the production of new commodities and new wealth. It is difficult to recover any but moral values from the human junk-heaps created by unemployment and economic mismanagement. If we recognize, as we must, that this government is a government of the people, then we must recognize that the power granted to Congress in the Constitution to regulate commerce was a power intended to provide for the protection of people. This protection must be measured not in terms of the coming generation alone but in terms of the present generation and the generation that is passing. I have no doubt whatsoever that the American system of government, set up in the American Constitution, is sufficient to provide the rules and regulations under which industry, trade, and commerce under automation can be so regulated as to be beneficial for our entire society.

Importance of Spiritual and Cultural Values for the Future

Men do not live by jobs alone and the kind of a country in which we will live is dependent upon the spiritual and cultural values which we foster.

If the automatic factory and the push-button civilization bring only a small part of the product, leisure, and labor saving that some students predict, we shall have to think seriously about the overall problem which Adolf Berle suggested in his "Saturday Review" article on the democratic future. Mr. Berle observed that:

"For the first time in recorded history a huge population is concerned with the problem, not merely of living, but of what life they want to live. The 'good life' of the Greek idealists will be within reach if we know what to choose."

Perhaps it isn't too much a matter for democratic government to help in influencing the kinds of choices made by its citizens. But it certainly is an important matter for public policy to see that levels of education, understanding, and appreciation are raised so that the new materialistic processes shall not crush our basic moral forces but, rather, under the spiritual concepts which guided the founders of our Government, make for a better world as well as a richer and easier one.

Hoover Commission Finds Waste in Disposal of Government Surpluses

Makes recommendations which, if carried out, could save taxpayers billions and go a long way toward eliminating Federal deficits.

Recommendations which, if carried out, are expected to save taxpayers billions of dollars and "to go a long way toward eliminating the annual deficit in the national budget" are in a report on "Use and Disposal of Federal Surplus Property" which the Commission on Organization of the Executive Branch of the Government submitted to Congress on April 18.

Herbert Hoover

The 12-man bi-partisan Commission, of which former President Herbert Hoover is Chairman, points out that, "for the next several years, huge quantities of supplies approaching an annual rate of $2,000,000,000, acquisition cost, will be purged from Government warehouses." Modern techniques of selling under the advice of merchandising experts are urged upon the Government as a means of recovering for the taxpayer more than the 5 to 7 per cent of acquisition cost which is returned, on the average, under present methods. Each additional 1 cent received on each dollar cost of property sold would yield an extra $20 million yearly.

As a vital part of an effective disposal and inventory control program, the Commission recommends that the Federal catalog to identify property owned by the Government be completed as speedily as possible.

The Government has an "enormous pool of assets amounting to some $155 billion" scattered throughout the world, from which surpluses come, creating a disposal problem both immense and complex. This figure does not include the value of land in the public domain, surplus farm commodities, or stockpiles of strategic materials.

The Commission explains that Government-owned property becomes "excess" after the agency in possession no longer needs it, and becomes "surplus" after its availability has been made known to other agencies and none of them desires it.

The Federal Government spends billions of dollars yearly for new supplies and at the same time retires old, worn-out or unneeded items from its supply channels. Between fiscal 1950 and fiscal 1954 the military agencies spent $107,600,000,000 for supplies, equipment, capital goods, real property and construction. Estimated expenditures for fiscal 1955 in these fields will total $23,900,000,000 for the Defense Department, and $3,400,000,000 for all civilian agencies.

"Expenditures of such huge amounts," the Commission says, "produce corresponding quantities of excess and surplus property. In fiscal 1954 the Navy alone increased its inventory of ready-for-use supplies in the amount of $913,400,000, while Navy disposals in the same period exceeded $576,600,000 at acquisition cost. No comparable figures were available from the Air Force or Army."

The Commission discovered that, although the Congress more than five years ago "directed the military services to maintain inventories in monetary as well as quantitative terms," this has not been done and "complete and reliable inventory data still are unavailable."

"The Government has mountainous accumulations of property which it would not have bought if it had a good inventory system," according to the Commission. "It is estimated that, with proper inventory control and more realistic stock levels, from $10 billion to $25 billion of supplies now in Government warehouses could be eliminated.

"Moreover, a large volume of stock on hand is obsolete or is rapidly becoming unsuited to military needs. Deleting it from the supply system will provide immediate savings through depot and warehouse clearance. By this means overhead charges can be substantially reduced."

Rapid technological advances increase the problem.

"Many items," the Commission says, "are either sold as scrap, destroyed or abandoned. Other often valuable items are sold in mixed lots with little regard for their possible commercial use."

Besides the increased cash returns which "could be derived merely from improvements in selling surplus stocks," the Commission believes that "vastly larger savings would flow from more efficient property management throughout the Government, and particularly within the military establishment, which accounts for more than 99% of all goods bought and stocked by the Government."

Bear, Stearns Admit Marx and Patten

Bear, Stearns & Co., 1 Wall Street, New York City, members of the New York Stock Exchange on May 1 will admit L. Eugene Marx and Joseph F. Patten to partnership. Both have been with the firm for many years.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks ran into at least momentary trouble this week in the 425-30 area after nudging the average further into the highest standing it has ever had in history. It at least broke a string of nine successive plus signs for the industrials that carried them from the 412 level to the historic high.

* * *

Railroads, which have been pouring out good earnings statements in comparison with results for the dour first quarter last year, were able to keep forging to the best standings in a quarter century, but with a rather sizable gap still remaining between the 161 average level of this week and the 189 peak of 1929.

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Basic Momentum

The net effect was to indicate that the basic momentum of the market was still strong enough to override the rather widespread belief that a really important correction was due about this time. There hasn't been a correction of as much as 10% for the industrials since the steady advance started a year and a half ago; the January setback came to around 5% while the early March selloff was around 6½%. These two, in turn, were the sharpest since the Fall of 1953.

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The question of whether a 10% reaction, common in previous bull markets, is now the norm is a moot one. For one, the advance of the industrial average into uncharted territory means than any setback of that scope today necessarily involves a decline of more than 40 points where half that amount would have represented a solid correction a couple of years back.

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Meetings Stimulating

The annual meeting season is well underway, producing little in the way of surprises. In part the market's buoyancy is traceable to the optimistic statements of company leaders at these gatherings, plus the added incentive in a few cases of hints that better dividends are forthcoming. These are important in many cases since yields of the better grade issues have reached the spot where increased payments are needed to spur any new buying.

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New York Central continues to pace the carrier section and its appearances on the daily list of new highs have been many. The stock that slumped under $10 in 1949 is now well into the $40 bracket at its best price, which is the best level reached since the 1937 bull market swing in which the rails were far more prominent than they were in the 1946 runup. Central, even more than the rail average itself, has quite a chore ahead if it intends to approach anything like the 1929 peak when it reached $256.

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Northern Pacific has been promnient on good strength this week but the comparison in this case is different, largely because of the romance of its oil lands that enabled the issue to post a modern-day high of above $94 in 1952. It subsequently retreated to $52 and has worked its way more than halfway back toward the former peak. The road has little chance of ever repeating the famous price of $1,000 reached in a market corner just at the turn of the century without some drastic changes in the line's fortunes.

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Return of a High-Priced Curio

Among the high-priced curios, the appearance for the first time this year of Coca-Cola International at $990 was a feature. The issue sold at its all-time high of $1,332 in 1948, making it the highest Stock Exchange price recorded in a generation. Superior Oil of California currently holds the title for the highest current listing, having sold this year at $1,040. Its high in 1948 was $235.

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American Telephone, marketwise, had settled down to await the terms of the latest debenture offering once this week's annual meeting was out of the way. The issue sold at $200 in 1946 when the first debenture offering of the postwar era was announced, and it slumped rather badly on the news despite the conversion rate of $150 fixed in that offering. That was the highest conversion rate in the series of subsequent debenture issues. The stock, now around the $180 level, is the highest it has been since 1946, contributing a lot of diverse ideas over what terms will be agreed on eventually. The last debenture operation, when the price of the stock was below $160, had a conversion price of $136.

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Chrysler Revival

Among the standard issues, Chrysler was quite a standout as the optimistic first quarter results start to emerge. It paced the division higher generally in the face of rather widely shared expectations that the auto makers were pushing their good sales to the point where only a letup later in the year was possible. The issue was able to make up two-thirds of the ground lost in its drop from $96 in 1953 to $56 last year when it was something of a casualty-of-the-year.

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Aircrafts ended their persistent drift downhill, at least temporarily, in the early trading of the week. But then they showed evidence that profit-taking could be expected on any rebounds, making their new look somewhat spotty. Douglas and Boeing shared the biggest play pricewise and were able to cling grimly to the plus side on the week despite the softness following their runup.

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Some of the gyrations were wild ones, including a six-point runup in International Paper followed by a rather sharp reaction, along with daily movements running a dozen or more points in the high-priced section for such issues as International Business Machines and Rohm & Haas.

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Steels continued to make laborious progress, including new highs for U. S. Steel, Acme, National, Superior and Midland Steel Products. Something of a newish note in the new highs category was the inclusion of American Tobacco on one optimistic session.

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Chemicals weren't overly prominent although Monsanto, in a series of wide movements, nudged to a new high only subsequently to appear close to the head of the casualty list, while duPont was able to put a couple of new highs together.

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General Dynamics, about which the merger rumors swirl with a choice of numerous combinations, was somewhat subdued and dipped more than 10 points under its recent high. The Bath Iron Works annual meeting was informed flatly that there was absolutely nothing to any Dynamics-Bath Iron combination, which took a bit of edge off that stock's recent strength.

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Oils continued somewhat irregular, Amerada sinking rather easily under the weight of an expected secondary offering of a large bundle. Houston Oil was in enough pinpoint demand to reach a new high on one multi-point sprint.

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No Secondary Issue Boom

There was still no blind demand among the secondary or speculative issues such as might indicate a traditional windup to a bull market. Avco Mfg. was prominent in high activity and was able to nudge its high a notch ahead to reach its best posting in more than a year and a quarter.

[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.]

Norway Obtains $40 Million on Bond Issue and World Bank Loan

Signing of the Purchase Agreement covering the $15,000,000 of Kingdom of Norway External Loan Bonds, and the Loan Agreement relative to the concurrent loan of $25,000,000 by the World Bank to Norway, took place Tuesday, April 19, at the offices of Harriman Ripley & Co. Incorporated, 63 Wall Street, New York City. The photo above, shows, left to right, seated, Wilhelm Morgenstierne, Norwegian Ambassador to the United States; Eugene R. Black, President of the World Bank, signing the Loan Agreement; Christian Brinch, Chief of Department, Ministry of Commerce of the Kingdom of Norway, who signed both the Loan Agreement and the Purchase Agreement on behalf of the Norwegian Government; and Joseph P. Ripley, Chairman of Harriman Ripley, who signed the Purchase Agreement for the nation-wide underwriting syndicate, which also includes Kuhn, Loeb & Co.; Lazard, Freres & Co., and Smith, Barney & Co. as co-managers. Standing, left to right, are Robert L. Garner, Vice-President of the World Bank; John Schiff, of Kuhn, Loeb & Co.; George Murnane, of Lazard, Freres & Co., and Burnett Walker, of Smith, Barney & Co.

The new bond issue is designated as the "Kingdom of Norway External Loan Bonds of 1955" and is dated April 15, 1955. It is divided by maturities as follows: $2.5 million of Three-Year 3⅜% bonds, $2.5 million of Four-Year 3¾% bonds, $2.5 million of Five-Year 3⅞% bonds and $7.5 million of 10-Year 4¼% Sinking Fund bonds, due April 15, 1965. All maturities are being offered at 100% plus accrued interest. The previous public issue of Norwegian bonds sold in the United States market was made in April, 1947, when $10 million of 10-Year Sinking Fund 3½% bonds were placed.

Eldridge Robinson V.-P. Of Fairman, Harris

Eldridge Robinson

CHICAGO, Ill.—Eldridge Robinson has been elected a vice-president of Fairman, Harris & Company, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, D. J. Harris, President, has announced.

Mr. Robinson is a charter member of the Bond Traders Club of Chicago and past president of the Bond Traders Club of Kansas City, Missouri.

Public Utility Securities

By OWEN ELY

Interstate Power Company

Interstate Power Company serves an area of 9,270 square miles in northeastern Iowa and southern Minnesota (East Dubuque, Ill., is also served through a small subsidiary). The larger cities served include Dubuque, Iowa (population 52,000), Clinton, Iowa (31,000), and Albert Lea, Minn. (15,000). The other 221 communities range in population from 10,000 down to 100; many are county seat communities and trade centers for large farming areas, which include 11,130 farm customers.

Electric customers aggregate 95,000, and 13,326 customers are also supplied with natural gas and steam heating in Albert Lea, and natural gas in Clinton. The company also provides bus service in Dubuque and East Dubuque.

The area served by Interstate is the richest farm section of the country, yielding bumper crops of corn, wheat, oats, peas, alfalfa and soybeans. Based on these crops, a great livestock industry has been built which includes the raising of hogs and sheep as well as dairy and beef cattle. Electricity has played an important role in abundant farm production, and the average rural customer uses 4,878 kwh. per annum, nearly twice the national residential average. Farmers still remain prosperous despite some decline in agricultural prices and it is estimated that bank deposits gained 6% last year.

Industrial and manufacturing activities in the company's area are now of equal importance to farming. Principal products include wood millwork, steel products, tractors, cellophane, toys, corn products, livestock feeds, frozen foods, flour and meat products.

Interstate's revenues in 1954 amounted to $17,880,642, and are budgeted at slightly over $19,000,000 for 1955, with 1956 expected to pass the $20,000,000 mark. Electricity accounts for 89% of revenues, gas 8% and transit and steam 4%. Residential and rural sales contribute 42% of electric revenues, commercial 22%, industrial only 11% and sales to other utilities 10%. Both the electric and gas departments have shown steady growth while the transit business, contributing only about $500,000 per year, remains steady. (The latter business is retained for political reasons.) Steam heat is a very small revenue producer and will probably be closed out within the next two years, with customers transferred to natural gas heating.

The company is actively promoting appliance sales by dealers, and usage by the average residential customer is close to 2,500 kwh., only slightly under the national average. The company is working with other major Iowa electric companies to establish a 161,000-volt transmission grid within the state, part of which is already under construction. The company is cooperating with Northern States Power and REA cooperatives in southern Minnesota to develop plans and contracts with the United States Bureau of Reclamation, for "wheeling" of power in 1956 to REA co-ops from the Government's Missouri Valley hydro plant projects.

Interstate Power was reorganized in 1948 with an unfavorable capital structure—82% debt and 18% common stock equity. This has now been improved to 52% debt, 18% preferred stock and 30% common stock equity. The latter may be increased moderately but this will be done gradually so as not to penalize earnings. Plant account is now on an original cost basis, with an 18% depreciation reserve. Over half the dollar value of the plant has been constructed in the last six years.

Interstate is earning about 6½% on invested capital and the rate is expected to continue at about this level. About 14% of revenues is carried to net, and the company has developed a very efficient system for local control of costs and earnings in its widespread area. There are no state commissions in Iowa and Minnesota, and in the latter state rates are indirectly controlled through franchise renewals. During 1954 the company continued its successful record of franchise renewals, 22 franchises having been secured—17 granted by Minnesota town councils, and five in Iowa by a vote of the people, resulting in 2,506 favorable votes to only 209 unfavorable. During the past six years the company has obtained or renewed franchises in 89 communities, and during this time no community has denied a franchise to the company.

The company raised electric rates in 1949 and 1951 and does not contemplate any further increases at this time. Substantially all industrial and wholesale electric rates provide for adjustments to compensate for changes in the price of coal, oil and natural gas used for boiler fuel. Retail gas rates also include an automatic adjustment clause for any change in wholesale gas costs.

The company this year is beginning construction of a 33,000 kw. steam generating unit which should be ready by September, 1957. A beginning was made last year in the construction of a major transmission ssytem of 161,000 volts which later will replace the present 69,000 volts. About $6-$7 million will be spent annually during 1955-61 and a total of $24 million new capital will be needed. No financing is expected in 1955 and next year's requirements may be obtained through bank loans.

Share earnings have not shown much net change since the company was reorganized in 1948, ranging between 80c and $1.02. Obviously the increase in the equity ratio had a restraining effect. However, since 1951 earnings have increased from 80c to last year's 97c and the latter figure is expected to be maintained in 1955. The credit for interest on construction is small (about 2c a share in 1954).

The initial dividend rate of 60c in 1948 has now been increased to 70c and further increases may be made from time to time as earnings justify. The price of the common stock has increased from a low of 5¾ in 1948 to the recent figure around 14. The stock yields about 5% and the price-earnings ratio is about 14.4—which figures compare favorably with the general averages.

Money for Future Delivery

By FREDERICK G. SHULL

Connecticut State Chairman, The Gold Standard League

Mr. Shull explains the use of term "money for future delivery," and comments "it is a pretty sad state of monetary policy when high officials entrusted with the handling of the financial affairs of this nation show so little regard for the well-recognized principles of sound money." Wants Gold Standard restored.

It will, perhaps, surprise many people to learn the extent to which the citizens of this nation have invested in "money for future delivery" — particularly when brought to a realization that it is considerably more than half-a-trillion dollars. In using this expression, "money for future delivery," it is not intended to try to scare anybody — rather, it is intended to make sure that the People are fully cognizant of this fact. And is it an expression that the present writer has invented? No — it is language recently used by the president of a large life insurance company; and men of that calibre are not given to carelessness in the use of words. Here is the background of that "expression":

Frederick G. Shull

In Washington, on Dec. 6 and 7, 1954, hearings were held by the Subcommittee on Economic Stabilization, with Senator Ralph E. Flanders as Chairman. Attending those hearings were high officials of the U. S. Treasury and Federal Reserve System, bankers, economists, and others — among whom was Mr. Frazar B. Wilde, President of the Connecticut General Life Insurance Company, Hartford, Conn.

At one point in the discussions, the question of "Convertibility"—meaning, of course, the Gold Standard — was raised. And Mr. Edward S. Shaw, of the "Brookings Institution," asked: "At what price is gold to be freely convertible, and to whom?" To which, Representative Patman replied: "The same price as now . . . Domestic, of course." And that point was further clarified when Senator Douglas contributed this: "I suggest we poll the experts on $35 an ounce." Chairman Flanders then phrased the question in these words: "Can you conceive of any proper action to be taken within the near future which would lead desirably to a free gold, interchangeability of gold with dollars?" — and continued: "Now, all in favor say 'aye,' or raise your right hand." The recorded answer was: (No response.)" Then Senator Flanders: "All opposed, raise their right hands." Recorded result: "(There was a showing of seven hands.)" — with "one person not voting." (Ref.: U. S. Government Printing Off. pamphlet No. 55314, page 156, dated Dec. 6 & 7, 1954)

It is a pretty sad state of monetary policy when the high officials entrusted with the handling of the financial affairs of this nation show so little regard for the well-recognized principles of Sound Money — principles that this nation had followed consistently, with rare exceptions, from 1792 right down to 1933. And while we are still operating with the printing-press type of money foisted upon us in 1933, there seems no good reason why the present Administration should not promptly carry out its 1952 campaign pledge to restore our currency to "a dollar on a fully convertible gold basis."

Fortunately, there is one ray of hope that has come out of those December hearings — something that should give encouragement to every person who owns a life insurance policy, or has "dollars" deposited in a bank, meaning practically everybody: In his prepared statement presented at the hearings, Mr. Wilde — after mentioning that a country "cannot get capital for capital expansion, which they need, when people have no confidence in the future value of the money" — voiced this gem of monetary honesty:

"I may be biased because of the fact that my business sells money for future delivery, and to me it is a pretty wicked thing to consider the possibility that people will make present sacrifices for future protection, and then get dollars of much lower value." (Ref.: Pamphlet No. 55314, page 88.)

That statement by Mr. Wilde suggests the following questions, the answers to which would seem to have an important bearing on the economic welfare of the people of this nation: Is "Connecticut General" the only insurance company that "sells money for future delivery?" No — every insurance company, regardless of the type of insurance involved, "sells money for future delivery." And is this type of business confined to insurance? No — every bank that accepts "dollars," on deposit, is "selling money for future delivery." Let me enlarge upon these claims I am making:

When one deposits $100 in a bank, he is in effect, "buying $100 for future delivery." And since those dollars, today, carry a "value" of $35 a fine ounce of gold, the depositor is entitled to definite assurance that the "dollars" he withdraws at some future date, shall, likewise, carry a "value" of $35 per ounce. And by the same token, when an insurance policyholder pays a premium with dollars carrying a "value" of $35 per ounce of gold, he is fully entitled to assurance that the benefits under that policy shall be paid in "dollars" of that same "value" — $35 an ounce of gold. In either case, of course, the "purchasing power" of the Dollar will undergo some fluctuation, occasioned by the normal working of the law of "supply and demand"; but, in "honesty," there must be "no fluctuation" in the standard-of-value, namely, **The American Dollar.**

And how can such assurance be had? The answer seems very simple: Merely demand that our political leaders return our Currency to the "sound" and "honest" foundation of the Gold Standard — promised in the Republican Platform, in 1952. Have the People enough at stake to warrant their taking an interest in this matter of Sound Money? Yes, at least $500 billion — which, even in these modern times, is a lot of money. The facts are that, as of Dec. 31, 1953, total bank deposits aggregated $201 billion; and, in 1954, total life insurance in force was $339 billion — together, $540 billion. In terms of gold, $540 billion is the equivalent of 528,000 tons, avoirdupois, based on $35 per troy ounce; it is 25 times as much gold as we have buried at Fort Knox and the other repositories of this rare metal. Does that mean that the United States lacks the necessary gold to safely get back on the Gold Standard? Not at all! For people don't want the gold itself — as they have very little use for it. People merely want "security" based on an "honest" monetary standard; intelligent people will prefer to have "dollars" in a bank at interest, or invested in an insurance policy, than to have "gold" buried in a mattress at "no interest." Under an "honest" monetary setup, therefore, there need be no fear that there will be a raid on the Treasury's huge stock of 22,000 tons of gold.

What our people really want, as respects their "dollars," is to be assured that there shall be no further tampering with the standard-of-value, the American Dollar; that our paper currency, and other token currency, shall be made to safely serve — as originally intended — as the representative of gold, and maintained "as good as gold"; and that "honesty" and "integrity" shall be the keystone of our monetary structure— as held true from 1792 to 1933. That assurance can be guaranteed only by a return of this nation to the Gold Standard, with the "value" of the Dollar firmly fixed at $35 a fine ounce of gold, and the age-old privilege of "redeemability," on demand, reinstated at that "fixed value."

Our Enterprise System And a Free Stock Market

By LOUIS WARE*

President, International Minerals & Chemical Corporation

Asserting there is probably nothing more misunderstood than the Stock Market, Mr. Ware points out: (1) the necessity for free markets for securities; (2) the need for better understanding of securities by the public, and (3) the requirement of a continuous supply of funds from the investing public if we are to continue to enjoy private business enterprise. Holds government should amend some of existing laws so as to make the markets more free and encourage investment in stocks.

In these uncertain and critical times when we are faced with the need to sustain huge military forces, with the hot air of the unfriendly and hostile nations breathing on our necks, and not knowing when cold war may suddenly become hot war, it is always timely to talk about the freedom we enjoy in this America at any opportunity, and to realize that that one good word really describes completely the difference between our way of life and that of the aggressor nations which might destroy us. There is today more freedom in our country than in any country of the world. We fought for it but we must tenaciously fight to sustain and keep it. We must realize that it is not only by conquest by an enemy from the outside that freedom may be lost, but that there are many ways it can be eroded and taken from us. These destroying actions can sometimes come upon us rather suddenly and unknowingly. One by one the many items that comprise our good life—our enterprise system that has made us the most productive nation, with the highest standard of living and the most stable government—can deteriorate and be lost unless we are constantly vigilant.

Louis Ware

One item of our free economy that is of current interest and which has been much discussed in recent weeks is the stock market, and I would like to speak of the need for maintaining the free securities markets of the country.

First, let me say that there is probably nothing more misunderstood than the stock market. I think the recent hearings by the Senate Committee on the subject were enlightening, and if one were to read all the testimony he would gain much information about the security market. Of course, most people just read the headlines or brief news summaries and I am afraid such terse reports miss the real story entirely.

I am reminded of an incident that was reported recently in Nebraska. An energetic reporter wanted to prove people just don't take time to read matter today. He went out on the street in front of the newspaper's office with a petition directed to the court saying, "and I petition you to hang me by the neck until dead." In no time he had 35 signatures.

Three Essentials

There are three points I would make about our security markets:

(1) How necessary it is to have free markets for securities.

(2) Securities should be better understood by the entire public.

(3) We must have a continuous supply of funds from the investing public if we are to continue to enjoy private business enterprise.

It is well to warn people that common share prices can go up and go down, sometimes quite suddenly, but that does not mean they are not good. It is so important that a continuous supply of risk capital be available that I am afraid the general misunderstanding as a result of these hearings has not helped the situation. We need to establish and maintain confidence in our markets.

A recent survey by the Stock Exchange showed that 77% of the adult population does not know what a common share is. The scare of the 1929 debacle has never been forgotten and it should not be, but it should not be used as a measure of the market performance for all time. This country's business and financial conditions today are quite different in many ways from that early period. The many factors affecting the prices of securities are quite complicated and I have yet to meet the expert who can guess and weigh them all so accurately that he can always be right. I think it was said that if economists knew the answer they would all be wealthy, but the fact is they do not.

I am reminded of a friend of mine whose father was a well-known banker in the South. While he was on a trip to New York he received a telegram from a gentleman in his town saying. "Understand you are in New York contacting Wall Street bankers. Hear stocks are a good buy. Please wire me your advice." This banker wired as follows: "Have contacted Wall Street bankers. Some say they're going up. Some say stocks are going down. I urge you to act quickly."

Take, for example, here in Louisville, General Electric, Air Reduction, International Harvester, and other large companies have very important plants. It is a wonderful thing that any individual who has saved a few dollars can buy common shares in these companies and become part owner. It is no longer the wealthy few who own these companies, and there has been a decided trend toward many more of the population becoming shareholders. Most all of the large companies now have many thousands more shareholders than formerly. Also, in addition to individuals listed as owners of shares, insurance companies, pension trusts and even labor unions are investing in stocks, so the many thousands of people who have an equity in the funds of these organizations are also suppliers of capital.

It is a good thing to have everyone who is able to be part owner of our industries share in the industrial growth of this country. It is definitely an improvement of our free enterprise system. It is a very desirable thing—it is the democratic American way.

Also, let me assure you the managements of the corporations today are appreciative of the democratic aspect of corporate affairs. Most corporation presidents I know are boys from Pennsylvania or Ohio, or Iowa or Kentucky, who have worked hard at learning the profession of corporation management and advanced up through the practical school of production, selling and finance. They are very conscious of the fact that they are trustees for the capital that has been invested by their stockholders and that they must operate the corporation with constant thought of fairness to these owners, to the personnel of the company and to the public. They encourage large attendance and welcome the voice of the stockholders at their meetings. They are always available to answer their letters and talk with them about the corporations' affairs. In former days there may have been the independent, autocratic managers with a stuffed shirt and ears for no one, but that is not true today.

Another situation of which modern management is very aware is the desirability of having plants in various cities managed by a capable representative of the parent organization who has nearly complete autonomy, and that the plant is very definitely a real part of the community in which it is located. We urge our managers to be cognizant of their responsibility to the community, realize the obligations to the public, and take active part in community affairs. Such a plant is not one solely owned or controlled from the North or the East, but we want it to be definitely a local operation and for the people of the community to feel that it is theirs. Stock ownership by employees and local citizens is helpful in that respect.

While it is always good to warn people of the volatility of equities, we must have confidence in the securities of our industries. Our industrial corporations need a continuous supply of venture capital. If it is not supplied by the investing public freely and in free markets, it will then have to come from the government. If that should happen **we would then have Socialism or Communism and there would be no free industries and free businesses.**

I think in the recent hearings that point was not emphasized. Experts advised that people who first owned their home, had some insurance and some savings were then qualified to buy common shares. That is good advice, but you and I know most people seldom follow such a conservative path. People usually buy the automobile and television first and some other things too which are less needed and more risky than if they were to put some of their early dollars into good securities. But people today most often don't want advice. They usually don't want to be confused by facts, after they have already made up their minds.

The New York Stock Exchange and other security markets are not the ugly monsters that they are often believed to be. They are simply auction places where securities are freely traded in a free market.

The governmental regulation of markets as included in laws of recent years is very complete. While the security markets are fairly operated, nothing can be absolutely perfect and there is, to some extent, opportunity for spurious securities to be sold. It is not possible to pass enough laws to keep the foolhardy buyer from making mistakes. However, with our many, many reputable brokers and financial people available for consultation in cities throughout the country, sound advice can always be obtained and there is opportunity for any individual to buy an interest in American industry with a fair degree of safety if he uses reasonable care. It is always good to warn investors that they should know what they are buying and be cautious, but the point I would make is that it is suicidal to so discourage and frighten people that our free security markets become impotent and are destroyed.

It is my opinion that with the control of credit, taxation and regulation of the markets by existing agencies, the selling and buying of securities can now be kept more orderly than ever before. We have gained much knowledge about regulated currency, taxation and markets than we knew before.

With the rapid growth in population of this country envisioned in the years ahead, with the technical and scientific advances that are being made as a result of industrial research and with the urge and need to continually improve our standard of living, there will be required a greater flow of capital into private industry in the future than heretofore.

Securities Laws Should Be Amended

I believe our government should amend some of the existing laws so as to make the markets more free and encourage the investment of funds in shares. The recent change in the income tax laws which permits an owner of securities to deduct a small portion of that income he receives from investments is a good start in that direction. It is just not fair to tax income twice and we need this incentive if we are to get new funds for our future industrial growth. Likewise, the capital gains tax should be lessened or removed entirely, and if it is to be retained in some form the holding period should be lessened. This would make for more free and fluid markets. Lack of fluidity lessens the freedom of buying and selling. It can cause markets to rise too abruptly and undoubtedly the recent sharp rise of securities can largely be attributed to the fact that people are reluctant to sell and thereby incur taxes. Prices in a free market are determined by supply and demand, and with taxes which impede selling the supply is lessened.

I think we should have business methods and systems of financing business in simple form taught and explained even in our grade and high schools. It should be taught as the very basis of our free enterprise, capitalistic system which has become known as the American way. Let us be aware of the need to support and maintain confidence in our method of bringing together the wealth of many individuals to finance our large industries.

By the incentive capitalistic system which we employ every man is free to exploit his own capabilities. He is an individual, he is honored as a free worker, and his dignity as a person is respected. We have it so good here in this country that I am afraid we sometimes are not appreciative, and it is only when we travel abroad and by contrast realize how fortunate we are.

* * *

I recall an operation I saw in Hong Kong during a recent trip around the world. It was on the way from the airport on the Kowloon Peninsula, motoring into town. There was a large sign on the roadside, being a cut-out figure of a man, and there was an arm extended in which there was a glass of beer for the purpose of advertising that beverage. This arm was moving up and down in the manner of the man raising the glass to his lips, but the thing that interested me was the fact that on a platform below, on the ground, there stood a little Chinese coolie pulling a string to work this sign up and down, a job he did all day long. It was cheaper that way, perhaps costing 12 or 15 cents per day, than to put in the electrical equipment such as we use to motivate a device of that kind. How cheap men can become and how little life is worth in those Far Eastern countries!

There are two main impressions that we have gained from our travels around the world during recent years:

(1) How very real and close is this present war threat to our nation.

(2) How blessed we are to have such great natural resources and strong, well organized industries with such great productive capacity.

Our very survival depends on keeping our industrial productive power ready and strong. This present threatening situation is likely to continue for the long term. Time means nothing to the mass-populated countries that may attack us. We have made such great scientific and industrial progress during recent years that we are really living in a new era. The results of the research activities of the many large corporations during the past two decades, producing new things and new businesses are not yet fully realized. The atomic development of the future will be a further industrial revolution.

There was never a time when it was more necessary to keep our industrial operations strong and modern in all respects. It takes a continuous flow of large capital funds to do this, and in the future even larger amounts must be raised than we have known in the past, for development of some of the modern wonders of science are going to be truly large capital projects.

If we as a nation are to survive and if our good way of life is to be lasting, we must be vigilant to preserve our free capital system which is such a vital part of the wonderful freedom we have here in America.

*Part of an address by Mr. Ware before the Kentucky Chamber of Commerce, Louisville, Ky., April 7, 1955.

Salomon Bros. Firm Admits Four Partners

Salomon Bros. & Hutzler, 60 Wall Street, New York City, have admitted to general partnership Harry Brown, Robert J. Quinn,

Harry Brown

Robert J. Quinn

Irving Kaufman

Daniel M. Kelly

Irving Kaufman and Daniel M. Kelly. All have been associated with the firm for 28 to 30 years. Mr. Brown has been co-manager of the firm's Chicago office. Mr. Quinn is manager of the industrial bond department, Mr. Kaufman of the government bond department, and Mr. Kelly is representative for the firm in institutional coverage in Connecticut and New York.

Admission of the new partners was previously reported in the "Chronicle" of April 7.

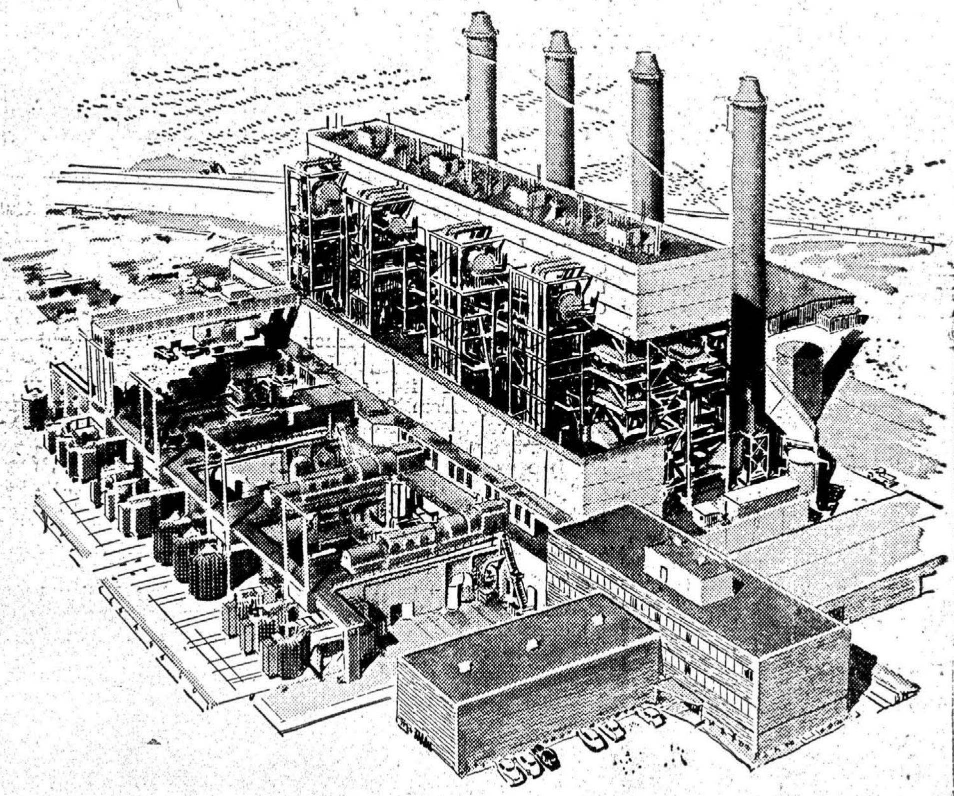
Herbert I. Losee, who has been a general partner since January 1919 has become a limited partner in the firm.

P G *and* E

FORTY-NINTH ANNUAL REPORT

1954

1954 surpassed all previous records in sales of gas and electricity, gross operating revenue and number of customers served.



Highlights OF THE YEAR'S OPERATIONS

Gross operating revenues from all sources reached a new peak of $386,244,000 and exceeded those of the previous year by $22,139,000, or 6.1%. In addition, miscellaneous income amounted to $1,035,000, consisting principally of dividends from subsidiary companies.

Expenditures for expanding and enlarging our facilities totaled $170,933,000 for the year, or about $26,000,000 below the peak established in the previous year. A further substantial reduction in these expenditures is anticipated in 1955.

Sales of electricity to customers totaled 15,042,000,000 kilowatt-hours, or 1.8% over those of the previous year. In addition, we delivered for the account of others 943,000,000 kilowatt-hours. Combined sales to customers and deliveries for others exceeded those of 1953 by 5.0%.

In order to offset the higher cost of out-of-state gas purchased by the Company, higher gas rates estimated to increase our gross revenues $7,073,000 annually were placed in effect on December 1, 1954. On a full year's basis, this increase will add about 20 cents a share to our earnings.

Sales of gas to our customers totaled 243,508,000,000 cubic feet, an increase of 16,455,000,000 cubic feet, or 7.2%. In addition, 71,092,000,000 cubic feet of gas was transported for use in our steam-electric generating plants and for other Company uses.

We experienced a further gain in the number of stockholders participating in our ownership. At the year-end we had 217,336 stockholders of record, a gain of 10,253 for the year. Of the total, 88,259 were preferred stockholders and 129,077 common stockholders.

At the year-end we were supplying service to 2,973,590 customers in all branches of our operations. The net gain for the year was 244,422, of which 139,642 were acquired on August 31, 1954, as a result of the merger of Coast Counties Gas and Electric Company.

Control of Pacific Public Service Company was acquired in February 1954. The company and its principal subsidiary, Coast Counties Gas and Electric Company, were merged into this Company on July 30, 1954 and August 31, 1954, respectively.

Bonds and preferred stock with an aggregate par value of $85,000,000 were sold to finance our continuing construction program. In addition, about 681,000 shares of common stock and 72,000 shares of preferred stock were issued in exchange for securities of acquired companies. A $65,000,000 bond issue was sold to refund our outstanding Series V Bonds.

Net earnings for the common stock amounted to $2.89 a share compared with $3.12 in the previous year, both based on the average number of shares outstanding in the respective periods. Based on end-of-period shares outstanding, our earnings were $2.88 a share compared with $2.82 a share in the previous year.

SUMMARY SHOWING SOURCES AND DISPOSITION OF INCOME

	YEAR 1954	YEAR 1953
SOURCES OF INCOME:		
Electric Department revenues	$265,419,000	$252,664,000
Gas Department revenues	118,846,000	109,732,000
Revenues from other operating departments	1,979,000	1,709,000
Miscellaneous income	1,035,000	208,000
Totals	$387,279,000	$364,313,000
DISPOSITION OF INCOME:		
Wages and salaries of operating employees	$ 50,994,000	$ 49,066,000
Power purchased from wholesale producers	6,377,000	7,011,000
Natural gas purchased	73,980,000	65,503,000
Oil and other fuel	8,442,000	10,968,000
Material and supplies, services from others, etc.	20,345,000	22,179,000
Provision for pensions, insurance, etc.	7,776,000	5,629,000
Provision for depreciation and amortization	39,090,000	35,172,000
Taxes, including provision for Federal taxes on income	93,186,000	91,309,000
Special charges in lieu of and for deferred Federal and State taxes on income	4,504,000	—
Bond interest and other income deductions	19,546,000	17,783,000
Dividends paid on preferred stock	16,266,000	15,722,000
Dividends paid on common stock	35,553,000	29,689,000
Balance retained in the business	11,220,000	14,282,000
Totals	$387,279,000	$364,313,000
EARNINGS PER SHARE ON AVERAGE NUMBER OF SHARES OUTSTANDING	$2.89	$3.12
EARNINGS PER SHARE ON END OF PERIOD SHARES OUTSTANDING	$2.88	$2.82
DIVIDENDS PAID PER SHARE OF COMMON STOCK	$2.20	$2.10
RETAINED IN THE BUSINESS, PER SHARE OF COMMON STOCK	$0.69	$1.02

Excerpts from 1954 Annual Report:

Attention of stockholders is again directed to the heavy burden of taxation which must be reflected in our charges for utility service. Our total tax bill approached $104,000,000 in 1954, that portion charged to income absorbing 25.3% of gross operating revenues from all sources.

In contrast to the heavy tax burden borne by the investor-owned utilities, government-owned utilities are favored with almost complete tax exemption. It is little wonder, therefore, that as a result of this tax avoidance which increases the burden of other taxpayers, government-owned utilities are often able to provide utility service at an apparently lower cost than can investor-owned utilities. Advocates of socialization of the utility industry are quick to seize upon these rate differentials to further their aims, conveniently ignoring the tremendously unfair advantage that tax exemption accords government-owned utilities.

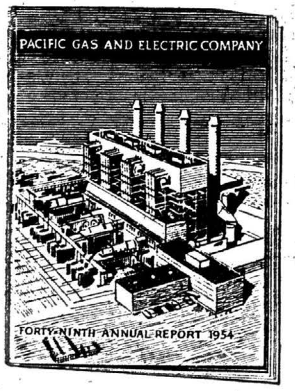
Clearly, the only fair and equitable way to correct this situation is to impose taxation on government-owned utilities equal to that now assessed on the investor-owned utilities and their customers.

Harnessing of atomic energy for commercial power purposes continued to engage the attention of the Company in 1954. In association with the other member firms of the Nuclear Power Company group, it continued research on the design, construction and operation of an atomic reactor for industrial use.

There is no certainty, of course, that nuclear power plants ever will be competitive with conventional plants. Studies made to date, however, give promise that a significant nuclear power industry eventually will be developed, a prospect which fully justifies our continuing participation in this activity.

We believe the outlook for the Company in 1955 is good, and that further growth and stability will be achieved.

J. B. Black
PRESIDENT



Pacific Gas and Electric Company

245 MARKET STREET
SAN FRANCISCO 6, CALIFORNIA

If you'd like to know more about P. G. and E. write: K. C. Christensen, Treasurer, 245 Market St., San Francisco 6, California for a copy of our Annual Report.

P. G. & E. Serves 46 of California's 58 Counties . . .

Cutting Taxes for Schools

By ROGER W. BABSON

Commenting on the mounting cost of education and its impact on property taxes, Mr. Babson contends more economical schools are needed. Says school construction costs are too high and there is a lack of teacher efficiency. Suggests school-day and school-year be extended to save two years in eleven, and, in this way, provide money for increased teacher salaries.

One of the critical problems facing every voter today is how to pay for the mounting cost of education without taxing property holders into the poorhouse.

Roger W. Babson

The sharp rise in the birth rate is one source of our problem. To help house the increasing population, about 9,500,000 housing units have been built since 1945 — 1,215,600 in 1954 alone! This building boom has given impetus to our national prosperity, but it has created problems galore at the school level. Most of these new homes have been purchased by good young couples who want decent places in which to raise their families.

These families have become so large in proportion to existing educational facilities that many cities and towns are now losing money on each new house built. Where there is more than one child per family, the loss often amounts, on the educational bill alone, to several hundred dollars. We know there will be a marked demand for more and more educational facilities during the next 10 years. Since by law we must provide both facilities and teachers, we may well ask for some economies to be made which can help keep costs down.

School Construction Costs Too High

You cannot afford a custom-built automobile. Can you any more afford a custom-built school? It is high time the U. S. Office of Education, as well as the various State Departments of Education, moved in with some standard basic plans for basic schools, which can readily be expanded with the school population. Unit sections should also be made readily movable to some other section of the community should the need arise.

There are literally a hundred ways to cut construction costs: Standard plans should be used for a given number of children, with the extras that don't really add up to better education for your child being cleared out. Don't build a monument of mortar that will be outmoded long before it is outworn. Let us consider the children and taxpayers —rather than glorify some mayor or architect.

Improve Teacher Efficiency

The suggestion has been made that we could cut teaching costs by doubling classroom size. Then we could hire the brightest teachers in the land to make recordings for radio and TV educational hookups. The children could be tested on what they had seen and heard by being given true-false, multiple-choice questions, and by having them mark their answers on IBM answer sheets that would be corrected by machine.

However, teacher efficiency cannot be measured in terms of the number of youngsters turned out of our schools each year. From what I have seen of some of the educational products of recent years, I think nowhere near enough stress has been placed on the quality of education which our children are receiving.

Teachers Need More Money

What business would "earn its salt" today if its employees worked only from 8:30 a.m. to 2:30 p.m., vacationed from June 25 to Sept. 5, and its factory or store lay idle as much as the average school does? It is true that teachers have papers to correct, lessons to prepare, and extra-curricular activities to supervise! But, ways should be devised so that teachers can earn the extra money they need. One idea would be to extend the school day and the school year so that the first eight years are done in seven, and the last four years in three. Thereby we save two years for the children, as well as money for increased salaries.

We can make our plant more efficient and give teachers a much-needed raise. We might even help solve the problem of delinquency by keeping our kids busier. This sort of thing is not a pipe dream. At the college level, the students of Babson Institute, a fully accredited College of Business Administration, do four years of college work in three — and after graduation make an outstanding mark for themselves. This might be tried for the lower grades as well. From such, all will benefit — children, teachers, and taxpayers.

Dorsey Elected V.-P. Of First Boston Corp.

Cornelius A. Dorsey

The First Boston Corporation, 100 Broadway, New York City, has announced the election of Cornelius A. Dorsey as a vice-president. Associated with First Boston in Philadelphia since 1934, Mr. Dorsey was appointed manager of the investment department in 1948 and became an assistant vice-president in 1954.

J. Earle May Adds

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—James A. Graham is now with J. Earle May & Co., 601 Bryant Street.

Frank H. Bickel With Dempsey-Tegeler & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Frank H. Bickel has become associated with Dempsey-Tegeler & Co., 465 East Green Street. Mr. Bickel was formerly secretary of Leo G. MacLaughlin Securities Co.

With Dewar & Company

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Richard A. Maloney has become affiliated with Dewar & Company, First National Building. He was formerly with Wesley Hall & Co.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The First National City Bank of New York** held on April 11, Benjamin Fulgenzi, formerly Manager at the Bank's Havana, Cuba, Branch, was appointed a Resident Vice-President. Mr. Fulgenzi, who joined National City in 1919, will continue to make his headquarters in Havana, in charge of the 10 Cuban branches.

John P. Finnerty, formerly an Assistant Manager, was appointed a Manager at the same meeting. Mr. Finnerty is assigned to the Bank's Bedford Branch in Brooklyn.

The First National City Bank of New York opened on April 19 its new branch in Cairo, Egypt, the 58th overseas unit. Located at 56 Abd El Khalek Sarwat Pasha, the Cairo branch will be in charge of Donald M. Hykes, Manager. The only branch of an American bank in the Middle East, First National City will serve both American and Egyptian business interests by facilitating the growing trade between the two countries, the result of modern industrial and agricultural methods sponsored by the Egyptian Government.

* * *

The Quarter Century Club of **The First National City Bank of New York and City Bank Farmers Trust Company** held its 19th annual banquet at the Hotel Astor on April 14 with 1,969 diners present. James S. Rockefeller, President of the bank, addressed the members briefly and dinner Chairman Ernest W. Redeke was Toastmaster. Around-the-world membership in First National City's Quarter Century Club — those who have served 25 years or more—now totals 3,121; 2,317 in the U. S. and 804 overseas. The group was formed in 1937 with a total enrollment of 254. Today's membership represents approximately 99,376 service years.

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The appointment of Gaius W. Merwin, Jr. as an Assistant Vice-President of **Manufacturers Trust Company of New York** was announced on April 18 by Horace C. Flanigan, President. Mr. Merwin joined the bank in 1947 and was advanced to an Assistant Secretary in 1953. He is a graduate of Harvard College and will be in charge of the central credit department.

On April 20 the appointment of William W. Lyon as an Assistant Vice-President of Manufacturers Trust Company was made known by President Flanigan. Mr. Lyon is assigned to the domestic department, his territory being the State of Ohio. Mr. Lyon joined the bank in 1952 and was appointed an Assistant Treasurer during that year. Prior to his connection with Manufacturers Trust, he was associated with the investment banking firm of Shields & Co. for several years.

* * *

Jack J. Holland has been elected a member of the board of directors of **Commercial State Bank & Trust Company of New York,** it was announced on April 19 by Jacob Leichtman, President. Mr. Holland, formerly a Director of the **Metropolitan Industrial Bank** which merged April 15 with Commercial State, is President of Simon Holland & Son, Inc., steel construction, and President of Jackson Management Co. He is also a member of the American Institute of Steel Construction, and the Associated Builders of Greater New York. Reference to the merger of the Metropolitan Industrial Bank into the Commercial State Bank & Trust Co. of New York appeared in our April 14 issue, page 1742.

* * *

At a meeting on April 19 of its Board of Trustees the **Kings County Trust Company of Brooklyn, N. Y.** announced the election to the Board of Vincent Caristo. Mr. Caristo, a resident of Brooklyn is President of the Caristo Construction Company and serves as Trustee of both the Polyclinic Hospital and the Italian Board of Guardians.

* * *

A proposal by **Marine Midland Corporation** to acquire the capital stock of the **Jamaica National Bank of New York** located in the borough of Queens was announced on April 19 by Bayard F. Pope, Chairman of the Executive Committee of Marine Midland Corporation and by Paul G. Wehle, President of the Jamaica National Bank.

The Board of Directors of the Jamaica National Bank has approved the plan which is expected to lead to a merger of the Jamaica National Bank and The Marine Midland Trust Company of New York, a Marine Midland Bank. Acquisition of the stock of the Jamaica National Bank by Marine Midland Corporation would precede the merging of the two institutions. Additionally, approval would be needed from the banking supervisory authorities and from the Jamaica National Bank stockholders. Under the proposal, Jamaica National Bank stockholders would receive 1.6 shares of Marine Midland Corporation stock for each share of Jamaica National or a total of 160,000 shares of Marine Midland stock.

Jamaica National Bank was established in 1924, and operates three offices in the borough of Queens in New York City. Deposits of the bank on March 31, 1955 amounted to $29,085,846 and total resources at that time were $32,387,764.

Completion of the contemplated merger would increase the number of offices of The Marine Midland Trust Company of New York to 10, and the number of offices of Marine Midland Banks in New York State to 142.

Mr. Pope stated that if plans for the acquisition and merger were completed, no changes in personnel at the Jamaica National Bank are contemplated. Mr. Wehle will continue as a Vice-President of The Marine Midland Trust Company of New York.

* * *

William Lawrence Carroll has joined the staff of **National Bank of Westchester of White Plains, N. Y.,** as Vice-President in Charge of Personnel, Ralph T. Tyner, Jr., President, has announced. Mr. Carroll, who leaves the employ of the management consultants firm of McCormick & Company, where he remains a Director, is a graduate of Columbia University. He is also a veteran of four years' service in World War II.

* * *

The County Trust Company, White Plains, N. Y. announced the addition of Mr. Donald M. Elliman, to its executive staff. Previously a Vice-President of the **Chemical Corn Exchange Bank in New York,** Mr. Elliman will have the same title when he joins the Westchester bank on May 2.

His position with The County Trust Company will pertain to the further development and servicing of the bank's countywide operations through its 29 offices in 20 Westchester communities.

Mr. Elliman had been with The Chemical Corn Exchange Bank since 1933 and had served as a Vice-President since 1947.

* * *

Arrangements for a proposed consolidation of **The Irvington National Bank & Trust Company of Irvington, N. Y.** and **The County Trust Company of White Plains, N. Y.,** became known on April 14 when it was announced that a merger agreement bearing the signatures of W. Barton Eddison, President and David J. Condon, Cashier of The Irvington institution and Andrew Wilson, Chairman and Joseph E. Hughes, President of The County Trust Company had been endorsed by directors of both institutions. It is expected that consolidation under the name of the **County Trust Company** will take place within the next six weeks, pending approval of the merger agreement by State and Federal banking authorities and the stockholders of both banks. No change in personnel now staffing the Irvington bank is contemplated under the proposed merger, officials said. Mr. Condon will become Vice-President in charge of The County Trust Company's Irvington office. Under the terms of the merger agreement, stockholders of The Irvington National Bank & Trust Co. will receive 5¼ shares of County Trust stock for each share of their present stock. There are 88 persons and institutions holding a total of 4,000 shares in the Irvington bank. The bank has capital funds of $267,495. The County Trust Company has 922,950 shares of stock outstanding and capital funds of $16,395,247. The Irvington National Bank & Trust Co. was organized in 1902. On March 31, 1955, it has total resources of $3,229,461, with deposits of $2,949,009 included. The County Trust Company reported total resources of $281,158,465 and deposits of $260,243,821 on the same date. Upon completion of the proposed merger, the directors and attorney of the Irvington bank will become members of The County Trust Company's associate directors board in the community. Mr. Eddison will be Chairman of the group. The directors in addition to Mr. Eddison are F. J. Elder, Alexander M. Hunter, Walter C. Jago, Joseph E. Simmons, Dr. Chesley E. Smith and A. P. Weiss. Thomas J. Coyle is the attorney. When the proposed merger becomes effective, The County Trust Company will have 30 offices in 21 communities throughout Westchester.

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The Allenhurst National Bank & Trust Company of Allenhurst, N. J., has increased its capital, effective March 24, from $500,000 to $750,000 the enlarged capital having been brought about by the sale of $250,000 of new stock.

* * *

Provident Trust Company of Philadelphia announces that John W. Boyer, Jr. has been named a Correspondent Representative of the bank. He will work in cooperation with Stuart B. Webb, Assistant Treasurer, in carrying out Provident's policy of further strengthening its customer and correspondent bank relations. Mr. Boyer was associated with the bank and public relations department of the **Federal Reserve Bank of Philadelphia** before joining the Provident Trust staff in 1954.

* * *

The First National Bank of Philadelphia has named David J. Olsen Comptroller to succeed William H. Hurtzman who has been serving in the dual capacity of Comptroller and Vice-President. Mr. Olsen joined the bank in 1920 and, in 1943, was appointed Assistant Cashier in charge of accruals and statistical division. His appointment to the office of Comptroller is a move on the part of First National to accomplish two objectives. On the one hand, it will permit Mr. Hurtzman to devote more time to his increased commercial activities and added administrative duties. Secondly, the responsibilities of Comptroller which have greatly increased in scope, can now be given the full-time attention they require. Long active at both local and national levels of the American Institute of Banking, Mr. Olsen has represented the Philadelphia Chapter at many national meetings. He is a life member and lecturer of the National Association of Bank Auditors and Comptrollers and a member of the National Association of Cost Accountants.

* * *

As of April 1 the **Union Trust Company of The District of Columbia, of Washington, D. C.,** has increased its capital from $1,000,000 to $2,000,000 as a result of a stock dividend of $1,000,000.

W. Ernest Allen, Jr. was elected the present month as Assistant Vice-President of the **Barnett National Bank of Jacksonville, Fla.** Mr. Allen was previously Assistant Investment Officer of the **Virginia Trust Company of Richmond, Va.** According to a local paper Mr. Allen, a native of Richmond attended the University of Richmond, later completing a course in security analysis at the Hanover Bank, New York. He became associated with the Virginia Trust Company in 1940 and served that institution until last month, with the exception of leave of absence incident to the World War.

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The National Bank of Commerce of San Antonio, Texas, reports as of April 1 a capital of $4,000,000, increased from $2,000,000; the enlarged capital was brought about by the addition of a stock dividend of $1,000,000 and the sale of $1,000,000 of new stock.

* * *

The City National Bank of Houston, Texas, has been enlarged to the extent of $2,500,000, having (April 1) been brought up to $10,000,000 from $7,500,000. The additional amounts resulted from a stock dividend of $1,500,000 and the sale of $1,000,000 of new stock.

* * *

The First Western Bank and Trust Company of San Francisco has received permission from the State Superintendent of Banks to open an office in Orland, Calif., T. P. Coats, Chairman of the bank's board of directors, announced on April 14. He said negotiations already were on for a suitable site for the new Orland office and that opening plans would progress once the matter of a building site is settled. The First Western Bank now is operating 57 offices in 42 communities.

* * *

The County First National Bank of Santa Cruz, Calif., with common stock of $150,000, was merged with and into the **County First Savings Bank of Santa Cruz, Calif.,** under the charter of the latter bank and under the title **"County Bank of Santa Cruz,"** effective as of the close of business Feb. 28, according to the Bulletin of the Comptroller of the Currency at Washington, dated March 28.

* * *

Directors of **Anglo California National Bank of San Francisco, Calif.,** at a recent regular meeting declared a dividend of $1.20 per share on the bank's capital stock for the six months' period commencing April 1 and ending Sept. 30, it was announced by Paul E. Hoover, President. The dividend is payable 60 cents per share on July 1, 1955 to shareholders of record June 10, 1955, and 60 cents per share on Oct. 1, 1955 to shareholders of record Sept. 12, 1955. The newly declared dividend represents an indicated increase of the bank's annual dividend rate from $2.00 to $2.40 per share. Since Jan. 1, 1953, Anglo has been paying semi-annual dividends of $1.00 per share, payable 50 cents quarterly.

Mr. Hoover announced also that Walter A. Haas, Sr., San Francisco business executive and civic leader, was elected a member of the board of directors of the bank. Mr. Haas has been associated with Levi Strauss & Company since 1919 and has been its President since 1928.

Hemphill, Noyes Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Bernard J. Bagdis has become associated with Hemphill, Noyes & Co., 10 Post Office Square. He was formerly with du Pont, Homsey & Company.

Now C. Alfred Bailey Co.

DALLAS, Tex.—The firm name of Bailey, Scott & Co., Mercantile Bank Building, has been changed to C. Alfred Bailey & Company.

Now Lindquist Securities

SALT LAKE CITY, Utah—The firm name of Haley & Company, Atlas Building, has been changed to Lindquist Securities. Griffith C. Lindquist is a principal.

With Slayton & Co. Inc.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — James W. Mueller is with Slayton & Company Inc., 409 Olive Street.

Joins Founders Mutual

(Special to The Financial Chronicle)

DENVER, COLO. — Joseph G. Chapman has been added to the staff of Founders Mutual Depositor Corporation, First National Bank Building.

Britain to Continue Control of Capital Issues

By PAUL EINZIG

Dr. Einzig, in commenting on the decision of the British Chancellor of the Exchequer to continue the Capital Issues Committee, which has right to veto any loan or credit transaction in excess of £50,000, finds that because of the inflation trend, this policy is consistent with the declared motive of restraining expansion of credit in Great Britain.

LONDON, Eng.—Just before Parliament adjourned for Easter, Mr. Butler announced his long-deferred decision not to discontinue the Capital Issues Committee. That institution, which has the right to veto any loan or credit transaction in excess of £50,000, came under fire on the part of Conservative backbenchers during 1954, and there was a growing pressure on the Chancellor to induce him to terminate its activities. It was pointed out that the maintenance of government control over capital transactions was contrary to the declared Conservative policy of restoring economic freedom. It was also argued that, since the proportion of applications refused by the Committee was very low in recent years, the practical significance of its activities did not justify the departure from the principle of *laissez-faire*.

Dr. Paul Einzig

It must have been very tempting for Mr. Butler to achieve popularity in Conservative circles by yielding to this pressure. For many months he was hesitating whether to do so, or at any rate whether to meet the opponents of the Capital Issues Committee halfway by increasing considerably the minimum limit beyond which transactions come within its jurisdiction. After long hesitation he has now decided against it. The only concession he has made is to exempt from now on any transactions which do not involve the raising of new capital. Thus in future acquisitions and amalgamations of companies, the formation of new holding companies, issues of stocks to parent companies for cash, issues of shares to redeem loans or to secure unsecured loans, conversions or renewals of securities, etc., will be exempt from government control.

Owing to the newspaper strike, the imminence of the adjournment of Parliament for the Easter recess and the obscure technical form in which the announcement was made, the decision escaped attention and comment. Those Conservatives who noticed it and appreciated its significance considered the concession disappointing. The step it represented towards freedom was indeed insignificant, even though it admittedly relieved businessmen of much inconvenience.

The fact of the matter is that the government is at present not in a mood for continuing its "dash to freedom" policy, not even at a slow pace which could in no manner of means be described as a "dash." Liberalization is a luxury which can only be indulged in amidst favorable economic conditions. Economic improvement during 1953-54 provided Mr. Butler with a good opportunity for liberalization, and he made extensive use of it. Conditions in 1955, however, are such as to make it appear inexpedient for the time being to proceed much further in the same direction.

Notwithstanding the increase of the bank rate, the undertone of the British economy remains distinctly inflationary. In the circumstances the government could ill afford to remove its control on capital investment. Excessive promoting activity would aggravate the inflationary pressure. Moreover, the extensive issue of loans and granting of credits would be one of the ways in which inactive bank deposits would become converted into active bank deposits. The effect of such a change would tend to be the same as that of a corresponding inflationary increase in the volume of deposits. Mr. Butler may have felt that it would be inconsistent with his declared policy of restraining the expansion of credit if at the same time he had opened the floodgate for public issues.

The change in the government's attitude toward liberalization was also indicated by its recent refusal to yield to Conservative pressure demanding the liberalization of the imports of jute and newsprint, two of the few remaining commodities which are still subject to direct government control. It may well be that, having liberalized cotton, grains, metals, etc., the government is now straining at gnats after having swallowed camels. But there can be no doubt about it that conditions have changed in the meantime. Indeed it is permissible to speculate whether the government would not be tempted in the changed circumstances to restore some of the controls if this were possible without loss of prestige.

Such a retrograde step was in fact taken in the sphere of instalment selling. Simultaneously with the increase of the bank rate to 4½% Mr. Butler announced the restoration of a moderate degree of restrictions on instalment business. The extent of the restrictions, under which initial payments must be at least 15% and the period of repayment must not exceed two years, is so slight that most trades remain entirely unaffected. This is indicated by the fact that during March the restrictions did not prevent a further sharp expansion in the number of various types of motor vehicles sold against deferred payments. Instalment business in bicycles and in radio and television sets also continued to expand. The only industry which appears to have been adversely affected is the furniture industry, in which the practice of no initial payment came to be widely adopted before the reimposition of controls. The head of the firm which had introduced this practice was a well-known financier named Wolfson—it is a strange coincidence that both Britain and the United States should have just now a highly dynamic and controversial figure of that name—and when Mr. Butler adopted his restrictions on instalment selling it was suggested that he did so "in order to keep the Wolfsons from the door."

Although during recent years the United States came to be regarded as having replaced Britain in the role of the spearhead of the movement toward economic freedom, in some respects even today sentiments of economic liberalism remain stronger in Britain than in the United States. The elaborate statistics on instalment selling, which in the United States are so helpful to administrators, economists, and businessmen, are practically non-existent in Great Britain. The government is being pressed by its Socialist critics and by economists to repair this omission. The vague promises made to that effect gave rise to emphatic protests on the part of Conservatives determined to oppose any compulsory filling of forms by businessmen that would be necessary to enable the authorities to compile such statistics. Having had until recently an overdose of such paper-work in connection with the various controls, British business circles and their spokesmen in Parliament will no doubt do their best to frustrate any attempt that would involve the making of declarations for statistical purposes. Yet such statistics are badly needed in view of the growing importance of instalment business.

Tucker, Cummings VPs Of McAndrew & Co.

SAN FRANCISCO, Cal.—Alexander McAndrew, President of McAndrew & Co., Russ Building, announced the election of David S. Tucker and Robert H. Cummings as Vice-Presidents. Mr. Tucker has been with the firm—and its predecessor, E. H. Rollins & Sons for the past 26 years. He is president of the Oakland Board of Education, a director of the East Bay American Cancer Society and the National Conference of Christians and Jews and a member of the Security Analysts of San Francisco. He is a resident of Oakland, California.

Mr. Cumming has been with the firm and its predecessor for the past 22 years and prior thereto was associated with Halsey Stuart & Co. in Chicago. He is a member of the City Council of Palo Alto.

Both men are directors and substantial stockholders of McAndrew & Co., Inc. They are active in the business. The firm acts as underwriters, distributors, investment advisors and dealers in securities and was established in May, 1948.

Passarino With E. S. Hope

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Irving Passarino has become associated with E. S. Hope & Co., San Diego Trust & Savings Building, members of the Los Angeles Stock Exchange. Mr. Passarino who has been in the investment business for many years has recently been with Wesley Hall & Co.

Goddard Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Clara W. Bradley has been added to the staff of J. H. Goddard & Co., 85 Devonshire Street, members of the Boston Stock Exchange. Miss Bradley was previously with Blair & Co., Inc.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard C. Josselyn and Joseph M. McCarron are now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins Jay Kaufmann Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sidney R. Gordon has become associated with Jay W. Kaufmann & Co., Hotel Touraine. Mr. Gordon was previously with Keller & Co. and du Pont, Homsey & Company.

With Central Republic

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Lawrence F. Dendlinger is now connected with Central Republic Company, Farnam Building.

Continued from page 7

"Why Doesn't the Government Do Something?"

when it comes. Let Kenneth E. Boulding describe the situation.[2]

"In a system in which some industries are monopolistic and some approach perfect competition certain difficulties arise which might not arise under a system of universal monopoly or of universal competition. In a mixed system, such as in fact we have, serious dislocations of the price structure and unemployment of resources over long periods of time are all too likely to occur. In monopolistic industries prices are likely to remain relatively stable, while output and employment fluctuate. In competitive industries output and employment are likely to be stable, while prices fluctuate."

Then Boulding goes on to point out how a "mixed" system intensifies depression. "In agriculture, for instance, prices fall, often catastrophically, while output and employment increase. In the construction industry prices stay up, but output and employment suffer a disastrous slump. The disparity between the two halves of the system produces evil secondary effects, intensifying the depression. Because of the reduced incomes of farmers and the high prices of industrial products, the purchases of industrial products fall still further, causing more industrial unemployment. Because of the industrial unemployment the demand for farm products falls still further, causing a greater fall in agricultural prices. If, now, industrial prices had been flexible and had falllen with the fall in demand, prices all around would have declined, but output and employment would have been maintained. Prices would reach a new stable level at that point at which the 'demand for money' was satisfied."

Yet in the program advocated by the prominent economist, outlined above, there is no hint of this problem. All that has to be done is to start a program of government expenditures, and everything will come out all right. Everything will not necessarily come out all right, for the impact will be very uneven, helping some people and groups a great deal, helping others some, and bringing positive disadvantages to others; and it is possible, even likely, that those who are at a disadvantage will outnumber those who benefit, and will be the very ones this program is supposed to help.

If sales are declining, it is because many people cannot or will not buy at the prices asked. The goods they are required to give in return are more than they are willing to give or can give. This applies to individuals buying their standard of living and to business firms buying supplies, raw materials, partly manufactured goods, and finished goods for marketing, and hiring employees. Now suppose that the government injects more purchasing power into the economic system through public works or make-work projects. Some of these people who were unwilling or unable to buy will find their own sales increased, and they may change their minds and resume purchases. But the injection of new purchasing power into the economy means that the competition for goods and services increases, and, if it is effective, some prices rise. Some who were already unable or unwilling to buy now find themselves worse off than before, and some are better off as they can sell to more advantage; while others who were buying now find their costs rising and they must curtail purchases. As this goes on, government finds the costs of the things it buys rising, and the deficit becomes larger in spite of the fact that some citizens and firms are in higher tax brackets. As the government costs increase, it must borrow more on securities or at the banks, or issue more currency, and the flow of purchasing power increases further. The impact on citizens and firms is more and more uneven, as many find themselves at a further disadvantage than before; others who were not at a disadvantage now find themselves faced with higher costs without corresponding increases in their sales prices, with narrower, or disappearing, or negative profit margins; and still others are better off than before.

This process goes on and on, with each dose of inflation requiring and leading to the next, while at every stage, there is the complaint of lack of money and the need for more. Gradually a new element is introduced. Prices become erratic, and business men find it increasingly difficult to plan. This adds to the confusion and unevenness of development. The aura of prosperity continues, but there are many who realize ruefully that they actually could do more when their incomes were less and prices were lower. If the inflation goes on far enough, into hyperinflation such as Germany experienced from 1919 to 1924 and France endured in the mid 1920's, physical production actually declines, and the nation is worse off than before. Long before hyperinflation begins with a flight from the currency, more and more people are worse off than are better off. And always the complaint arises that more money is needed, when actually the trouble is that there is already too much money generated by the government's deficit.

Inflation is said to be an unjust tax. When a new tax is levied, the people who pay it find their purchasing power reduced by the amount of the tax. The proceeds are turned over to the government which now has the spending of the money. In other words, goods which before the new tax was imposed people could have they are now deprived of having. Part of their standard of living is taken away. Those goods or other goods go to the government instead. Inflation is a tax too in that it likewise deprives people of goods which they had enjoyed before the inflation, and these goods have gone to others, who have acquired new purchasing power. Inflation, like taxation, takes away from one group to give to another.

But there is a vital difference between a planned tax and inflation as an unplanned tax. A planned tax is levied roughly according to ability to pay. This is as it should be. Inflation as a tax is levied according to inability to pay. Those least able to bear the burdens find their burdens increased, and they are joined by more and more who find their costs rising faster than their sales prices (or wages) and their solvency threatened by erratic movements of prices. Inflation, even short of hyperinflation, is a denial of just taxation, inflicting its burdens on those least able to bear it, in increasing numbers.

The claim is made that increased government expenditures will lead to improved business conditions, increased government revenues from taxes on higher earnings, and a balanced budget. But in practice, it has not hap-

2 Boulding, Kenneth E., *Economic Analysis*. Harper & Brothers Publisher, New York. Revised Edition, 1948, pp. 597-8.

pened that way. Increased government expenses in excess of revenues have led to higher tax revenues, but meanwhile government expenditures continue to mount even more, and the race is always won by higher expenditures. It so happened in France and Germany and other nations which have experienced it, and it has so happened every time in this country, in the 1930's, 1940's, and 1950's, and in every preceding period of inflation going back to colonial times.

If sales are declining, it is because many people cannot or will not buy at the prices asked. In a democratic, capitalistic society, business decisions are made by millions of people as to how they want to allot the resources available to them, to enable them to a c q u i r e what they want. As changes in conditions occur, they change their policies to suit. But mistakes are bound to occur. People overestimate and underestimate, they are optimistic and pessimistic, and these mistakes must be corrected as soon as possible. But when the mistakes are all in one direction for a time, we have booming prosperity, then a realization that the goods are too abundant to be sold at the prices anticipated. If the excess is too great, recession and depression ensue.

Yet, fundamentally, the process of readjustment is one that must be made by everyone who is responsible for business decisions, whatever their relative importance. In a privately managed capitalistic society, government cannot undertake this, and when it tries to do so, it may only postpone the necessary adjustments and prolong the relative stagnation of business. Between 1933 and the beginning of the large-scale defense program just prior to Pearl Harbor, we had the largest number of continuously unemployed in our history. How can anyone say that government programs can guarantee full employment and full production?

As I look back over the program outlined in the beginning, I cannot help but feel that it is depressingly superficial and frighteningly irresponsible. It is superficial because no effort is made to find out what will happen after the first impact. It is irresponsible because if the program were followed out, there would be great danger of visiting haphazard, ruthless, and irreparable calamity upon the many to the haphazard benefit of a few. It is superficial and irresponsible because the history of the human race has afforded many instances of the disastrous results of such experiments repeated again and again. One might suppose that "intellectuals" would know of these always unsuccessful episodes, but even "intellectuals" do not learn by others' past experiences.

The program is irresponsible too because, in our world-wide fight against communism, this would play into the enemy's hands. This is not to say that this economist is either a communist or subversive, or even a fellow traveler. Nothing has ever been revealed to even suggest it. However, when Russia takes over a country, one of its policies is to debauch the currency by deliberate inflation. This ruins the values of savings, bonds, insurance of all kinds, fixed incomes, and pensions and annuities, and reduces to extreme poverty and powerlessness the thrifty saving class and the conservatives who are the backbone of our capitalistic society. Once these are destroyed, their dictators can take over and impose the same sort of state capitalism found in Russia, with complete control over every individual person.

It is useless to say that this cannot happen here. The hyperinflation began innocently enough in Germany, but wiped out the German mark completely. In its train came a serious threat of communism, overwhelmed finally by Naziism. France went through a hyperinflation beginning innocently enough in government deficits, and during and since World War II, the depreciation of the currency has gone further. Italy likewise has suffered from inflation. In France and Germany the forces of communism are the strongest to be found in non-communist countries. Germany, France, and Italy are great modern civilized nations. What right do we have to think that it cannot happen here? Is it not more proper to say that the greater the nation the greater the possibility of appalling blunders? Inflation has happened here many times, the latest since 1940, and the greater our power, the greater the potential for disaster, and the greater the need for self-control and careful discrimination.

With Blankenship, Gould

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Don D. Strand is now affiliated with Blankenship, Gould & Blakely, Inc., Wilcox Building.

Two With Carolina Secs.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — H. Howard Strickland and John P. Young are with Carolina Securities Corporation, Insurance Building.

Two With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Dana C. Djerf and James A. Hodder Jr. have become associated with Kidder, Peabody & Co., 75 Federal Street. Mr. Hodder was formerly with du Pont, Homsey & Company and Schirmer, Atherton & Co.

Boettcher Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Cyril Hettich has become associated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. Mr. Hettich was formerly with Conway Brothers of Des Moines, Iowa.

B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Andrew L. Peterson is now with B. C. Morton & Co., Penobscot Building.

J. L. Levine Opens

JAMAICA, N. Y.—Jay L. Levine is conducting a securities business from offices at 181-14 Hillside Avenue.

Lipton Opens Office

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert Lipton has opened offices at 2600 Clayton Street to engage in a securities business.

The Solid Gold Chevrolet

By WILMA SOSS*
President, Federation of Women Shareholders in American Business, Inc.

Stockholder champion urges the ladies toward more frivolity and personal attractiveness at the company meeting. Maintains privilege to criticize and hiss news reels, TV, and politicians should not be withheld in case of corporate managers. Commenting that this is the era of the Solid Gold Chevrolet (rather than Cadillac), with better attended and run meetings, with management realizing the stooge is fatal, and with women to set the example in asking questions—men being less afraid of making fools of themselves.

At this moment I feel a closer kinship to Laura Partridge and Josephine Hull as the heroine of "The Solid Gold Cadillac" than at any time since the opening of that play. "Fortune" Magazine may have reported that I was the prototype but I think it only fair to tell you when the authors were asked if that was true, they quipped: "Wilma Soss? Never heard of her! If she goes to another annual meeting, we'll sue her for plagiarism!"

Wilma Soss

Actually I feel as if I had been asked to throw out the first baseball to open the baseball season for, as you know, we are on the brink of the Annual Meeting "season." There is this "little season"—January and February—for bank meetings—this year big with bank mergers. Although there is a tendency to extend the annual meeting season to an all year round affair — Macy's and Best Foods' meetings come in the fall—General Foods' in July—still the time to wear out that Easter bonnet—you know, the one top-heavy with flowers that looked so wonderful on Easter Sunday and you wonder what to do with afterwards—*is* at annual meetings. That's the place to wear beau catchers. Numerically, the chances for teachers are better than taking a cruise. Financially — well at least the men and women who attend will be relatively prosperous. Oh, that's my St. Valentine Day's talk! At any rate, if you turn up without a hat and gloves, they will think you are something out of the May Day parade.

Once a woman begins to think in terms of what to wear, chances are if she owns a share of stock, if the meeting place is convenient and lunch is to be served, if the address is on the proxy, not just on the proxy statement she probably has thrown away instead of saving to compare with next year's —it took the Federation of Women Shareholders years to persuade AT&T to put the address of its meeting place on proxies —chances are she may decide to attend her first stockholders' meeting just to see what it's all about.

Good for Ulcers

Let's face it, Ladies. We will be twice as welcome if you are decorative. Also, "The Solid Gold Cadillac" is right, feminists to the contrary — when it comes to asking the *More* devastating questions there is much to be said for the helpless approach. A little laughter at stockholders meetings is good for managerial ulcers; after all, managers cost stockholders plenty.

Of course, there are sober people who will frown on this psychology as devious—if effective—and label this approach frivolous. Actually I was brought up to speak in hushed whispers when in a bank. In my teens can you imagine what it did to me when the manager of a branch bank—who incidentally gave my family the most profitable advice on investing—was absent one day. He had been sent up for embezzling funds from the bank. Ever since, my reverence for financial institutions has not been in good working order. I don't think you should be deceived when you pass one of those new banks with the super-ranch house type windows —all glass—when you stop to think that the Frear Bill to bring banks under the SEC has not yet been passed. With the Chemical-Corn Exchange merger, the last bank went off the Big Board and Banks in general resist being listed on the N. Y. Stock Exchange or coming under the SEC so that they will have to give disclosure!

If Macy's finds — and Gimbel's copies—humor in advertising can sell more merchandise, I cannot see why the light touch cannot dispel the gloom of some of the heavier subjects on our curriculum—up to the point, of course, where *Other* emotions are involved.

Mambo versus Mumbo Jumbo

You get a woman to feel a sense of injustice or angry and she can learn anything. Why, I even learned to unravel a financial report and read a proxy statement just because I was sure they were trying to *hide* something from me. Anyone who can play scrabble and concentrate on the intricacies of the mambo ought to be able to learn to decipher the mumbo jumbo of the proxy statement in one easy lesson. These as you know—proxy statements, not mambo lessons—are sent to stockholders so that they will send as many legal votes as possible to the management who say right out, if you don't vote, just sign your proxy and they will do the voting *For* you for what *They* want. They nearly always recommend in bold type that you vote *Against* what the stockholders want and they are required by the SEC to print on the proxy statement for your consideration. This helps to save stockholders from having the trouble to do their own thinking and finding out even though it doesn't always save their money. It's just one of those cosy little forms of paternalism that private enterprise hasn't yet quite the courage to do away with—(I don't think we should take time out to argue whether I should end a sentence with a preposition)—at least the management says it isn't practical because enough of you don't teach enough people how to read proxy statements intelligently.

You might as well know that logic will get you nowhere at the Annual Meeting. It's the men — excepting those, of course, here present — whom you will find emotional and illogical. Nothing will do you any good except blushes and votes—men's blushes, I mean. But you have to be very careful not to overdo it. Don't ask too many pointed questions such as why the Chairman of the Board wants stock options for incentive when he is going to retire next year and his salary as consultant should be all the incentive he needs to get on a company plane sent down to bring him back from Florida, or the stockholders present will begin to feel sorry for the poor dear badgered man and you will be torn limb from limb in what is supposed to be the democratic process.

You see, stockholders who attend annual meetings are usually nice neighborly people who pride themselves on being good citizens and may even go to the polls or stockholders meetings in the rain but actually do not know much about their rights and privileges as stockholders except to collect dividends—they are very sensitive about dividends — because there was no one like you to teach them when they grew up.

Hisses and Kisses

While they think it is perfectly all right to criticize and hiss at newsreels or on TV, the President of the United States—depending on which President he is—some of them are not sure it isn't Communistic—well, at any rate, in times like *this*—to say a word of criticism about the president or a director of a corporation. At the last General Motors meeting in Wilmington, Del. — the Motorama does *not* extend to stockholders — the management voted against rotating the annual meeting so more stockholders can attend—because I asked too many questions, one of the local gentry, an elderly woman, raised her arm to hit me with her cane—actually Miss O'Crowley, our general counsel, identified it as a shillelagh.

Another of the local ladies was muttering so when Lewis Gilbert, champion of small stockholders, was speaking that she was told to cease fire by someone wanting to hear. "I guess I can say what I want," she protested. "This is a country of free speech." "Then why don't you give him a chance?" she was asked. "The very idea!" she grumbled. You can see why GM loves Wilmington, Del. Out of fairness, however, to the duPonts I must say that the coverage of the General Motors meeting is much more accurate and fair to articulate stockholders than the cover of some city newspapers for records which are censored here — for personal safety.

Perhaps nothing is more genuinely discouraging than stockholder conduct at many annual meetings. Perhaps that is because they are held in afternoons instead of evenings or on Saturdays, when more businessmen and women could attend instead of so many uninformed housewives, pensioners, and retired persons all of whom are not as alert as Morton Adler, who recently came to the rescue of the Chairman of the American Stock Exchange when asked by the Senate Banking Investigating Committee about indexes and the Dow Jones averages. Some want to identify themselves with the management —in advertising we call it the snob appeal—or curry favor from the management, incidentally not a good way of getting an account or a job. Questioning the management is the same to them as questioning their own judgment and giving them self-doubt instead of self-satisfaction. You know the "Mr. Fairless said to me" and "I told him" kind of thing.

It Could Happen Here

We have, in reverse, the confession of sins at revival meetings — the timid souls, usually mature men, who come up and congratulate or console an articulate stockholder after the meeting with the stock phrase "Oh, I wish I had the courage to support you!"—in a couple of years sometimes he does. It makes one shudder to think what might happen if any enemy ever got control of one of our communities. We begin to realize what happened with collaborationists in France could happen to some of our own neighbors who are perfectly capable of cutting their most intimate friends dead at stockholders meetings if the cause espoused by them does not appear to be popular. Next season they are likely to be on the band wagon if the climate changes.

On the other hand we have better attended and better run stockholder meetings. Management has found the so-called stooge or plant is apt to be fatal. With women to set the example in asking questions, fewer men are afraid of making fools of themselves.

There were some 2,000 persons, for example at the New York Central Annual Meeting last year in Albany. When I saw the attempt being made to railroad the voting by the former management, when Mr. William White, President to be defeated, deliberately by-passed parliamentary procedure, when microphones were withheld from protesting stockholders in the turmoil of a proxy fight, I couldn't help but cry out in protest—not as a shareowner but as an American. It was a small price for me to pay — a heavy one for Mr. White—when he ordered the New York Central guards to seize me as I tried to prevent the railroading of the vote before discussion. Mr. White was only fighting for control of a railroad (he lost)—I was fighting for our American way of life.

The Secret Ballot

Over and over again, our membership has been impressed by the need of a secret ballot if we are to have an economic democracy in more than name only. Communism and Socialism are not new but an economic democracy, so far as it means shareowner voice in corporations, is something new within our time. When you realize that a Senate study named 200 corporations with their interlocking directorates as the concentration of economic power in the United States, you can see what shareowner democracy can mean.

As you all know, shareowners legally are entitled to vote in the corporation in which they own voting stock. Indeed their function, in addition to providing funds for the tools of industry, is largely one of balance and checks as corporate citizens. Furthermore, stockholders, many of you graduates of business administration, will undoubtedly be among them with stock purchase and stock option plans now in fashion —stockholders may be employees, but whether or not they are employees, investors are also employers. As such, it is up to you to use your votes to see that men and women have equal opportunity for training and advancement in business.

These are some of the things that you should impress upon your students because too many stockholders think all they have to do is to make a fast buck in the market and there is no more cynical philosophy than to sell a stock because you do not like some managerial practice instead of using your corporate suffrage just as you would do in your home town for the betterment of conditions.

The Federation of Women Shareholders has been called the mother of the economic suffrage movement — if not the founder of it. Most important among our education activities is not only to arouse stockholders from their apathy to use their corporate suffrage and to show young people that many of the growing pains from which they may think our economy suffers can be corrected within our American tradition through the constructive use of their corporate suffrage and modernizing the proxy mechanism—but to enlighten management. Until we have completed our democracy within the structure of a Republic —economically as well as politically—we should be very careful not to let those who find flaws in what has been called the "noble experiment" so that we throw it away before it has really begun to function as a whole.

Politically you have learned to cherish a secret ballot but no provision has been made to protect stockholders by giving *Them* a secret ballot. This needs to be brought to the attention of the Fulbright Committee, and I hope that I shall be called before the Senate so I can do so.

Ballot implies secrecy. But management still has access to the proxies and can see how owners vote. Just think what this means in a proxy fight. Representatives of banks sit on interlocking boards. Banks are trustees who control an enormous amount of votes at their discretion. More than 250,000 employees alone are stockholders in AT&T and yet they do not have the protection of a secret ballot. Many of you will need this protection to get action for your ideas and express your views.

Is the Price of Security—Fear?

Time and time again we have been told not only by employees of their fears to vote independently from their employers, but actually by stockholders, both men and women, whose families are employed or whose estates are handled by law firms who in turn do business with big corporations. I believe this fear is largely timorous and unjustified but in the case of Republic Steel, the president actually took access to his stockholders list to write owners who had sent their proxies to me because he did not approve of a letter written by me on the steel strike which was published in the New York "Times." This was the first time that we had proof that management occasionally *snoops*.

The snags to a secret ballot—legal technicalities in case of lawsuits—are not sufficient in weight to deprive the *whole* stockholder electorate of its benefits and protection. The drive for a secret ballot was initiated by the Federation of Women Shareholders and I hope it will be part of my legacy to the American people.

Now you may say this is all very interesting but I do not own any stock — actually only some 10% of the people in these United States do. We may not yet have mass share ownership to match mass production but with inflation and stock splits which bring down the prices of blue chips, we are going to see a tremendous increase in stock ownership by the public unless we run into a bear market.

It isn't necessary to buy 100 shares or 10 shares or even five shares of stock—but one share. The Federation of Women Shareholders was born when I bought one share of stock in the billion dollar United States Steel Corporation and went to my first stockholders meeting. I was brought up to think that *one* vote (all anyone has in government) is important—you see the power of education—and so I spoke up for my one share. After all, I was to see two million shares voted in support of some of my proposals where I started with one share. What's more, I expected—*and still do*—respect, *not* laughter, when I want an intelligent answer to my questions, not a brush off, or a kiss off. I

*A talk by Mrs. Soss before Dinner Meeting of the Delta Pi Epsilon, National Honorary Graduate Fraternity in Business Education, Women's Faculty Club, Teachers College, Columbia University, New York.

shall never forget what Mr. Holden, Chairman of Socony-Vacuum, said to stockholders when they laughed at a question by one of their number. "The question may not be important to you but it is important to the stockholder who asks it."

If you are a teacher of business education but feel you cannot afford to purchase more than ten moderately priced shares of a stock — I should rather see You buy one share in 10 different companies and do case studies as a corporate citizen—work, when necessary, for more accessible annual meetings—you will understand why if you trek to Flemington and pay your own fare; work for more informative post-meeting reports—you will understand why when you read the reports of meetings you have actually attended; for three-way incentive — stockholder incentive as well as management and labor —you will understand why when you are retired or if your wife is a widow; work against stock option abuses. Some of you may want to pool your proxies through the Federation of Women Shareholders—we receive proxies from men as well as women—and all of you should make required reading the Gilbert Report on Stockholders Activities at Annual Meetings, available in many company libraries or through the Federation of Women Shareholders for a dollar. Mr. Gilbert donates part of it to the work of the Federation when orders are placed through us.

You will learn more about the facts of life than reading a dozen books—you will find like watching or playing a tennis game that annual meetings have their rules and their points, their opportunities and challenges for progressive management as well as shareowners. You will have the satisfaction of using *your* money and your votes to support *your* principles. You will see and meet some of the giants of industry and the pygmies who pose as giants. You will be part of one of the youngest and the most powerful movements of our time — the organized shareholder movement. You will add practicality to what you teach. You just can't afford not to be part of what goes on and we can't afford not to have your thinking at shareowners as well as management level.

Proxy Fights and the People's Friend

In conclusion, the proxy fights of today are a sign of the times to which you as students of business administration may well take heed. At the turn of the century, we had the imprint of the robber barons—and their vitality. As industry expanded, they were superseded by the palace guard and the $100,000 and $200,000 clerk, many of whom have to play politics to hold their jobs—the "team" as they are called in "Executive Suite" and "Patterns." Inevitably in the United States, with men still alive nurtured on Horatio Alger, the Wolfsons and the Robert Youngs and the Pat Maginnis' had to come to the fore.

Superseding the robber barons of yesterday, the modern empire builder is the "people's friend" in order to gain popular stockholder support—baldly, your votes. They institute reforms which entrenched management grown flabby with power have refused.

The Solid Gold Chevrolet

This is not the era of the Solid Gold Cadillacs but the Solid Gold Chevrolets. Make the most of it. Get off your chairs and go to Flemington and see why stockholders want more accessible meeting places. Go to Wilmington. Go of the Eastern Airlines meeting and see why the man who was rescued with and by the Bible insists upon holding meetings where the fewest stockholders attend.

To Investigate Federal Open Market Group

Resolution introduced for the House Committee on Banking and Currency to undertake a study and investigation of the operations of the Federal Open Market Committee, established under the Federal Reserve Act. Gives explanatory statement.

Congressman Wright Patman, Democrat of Texas, on April 18, introduced a resolution in the House of Representatives for the Committee on Banking and Currency of the House, with the approval of the Chairman of the Committee, the Honorable Brent Spence, of Kentucky, for a study and investigation of the Federal Open Market Committee and other related matters. In presenting the resolution, Mr. Patman gave to the press the following statement:

Wright Patman

"The resolution will authorize studies, investigations and inquiries of the operation and activities of the Federal Open Market Committee of the Federal Reserve System. This twelve-man Committee, consisting of the seven Governors of the Federal Reserve Board and five Presidents of Federal Reserve Banks, determines the monetary policy of the United States, and, in this capacity, exercises a direct influence upon the availability of credit for business, agriculture, home-buyers and the general consumer; the rate of interest charged for such borrowings; the market price of government bonds; the investment policies of banks, insurance companies and other large investors; the cost and character of the national debt, the general price level and employment in American industries and businesses. The operations and activities of the Federal Open Market Committee have not been the subject of inquiry by a legislative committee of the Congress since it was established by Congress in 1933.

"Since the Federal Open Market Committee exercises its credit influence principally by its purchases and sales of government securities, or by being inactive in the market, the resolution would authorize a broad inquiry into government security issues, including the various kinds of securities, the manner and purpose of issue, method of payment, character of investor, and the amount and degree of speculation therein. Of special importance in this respect is the question of whether the public interest is served by sporadic issue of long-term issues carrying high interest rates which must necessarily go to a premium in view of the large amount of outstanding long-term debt at substantially lower interest costs. The degree of speculation, which may be permitted by the manner in which such long-term securities are issued, would also be a subject of inquiry under the resolution.

"Several programs have been proposed recently which envisioned Federal financial assistance and placing primary reliance upon bank financing, yet would be outside the Federal debt limit. The programs in the field of highways and school construction especially propose a radical departure from normal methods of government financing. Counter proposals in these fields have been proposed by banks which would reopen financing participations denied banks since 1933 following the 1929 crash in which bank assets were horribly dissipated through speculation investments promoted by investment companies with which they were affiliated. Considerable pressure is being brought to bear to permit banks to engage in underwriting and dealing in revenue obligations and to use depositors' money for these purposes. Other proposals would authorize banks to purchase stock in investment companies. A real study should be made of these various proposals to properly assess their significance and their purposes."

Annual Summer Outing Of Bond Club of Detroit

DETROIT, Mich. — The Bond Club of Detroit will hold its annual summer golf outing on Tuesday, June 7, 1955 at the Plum Hollow Golf Club, Detroit, Michigan. Activities will include golf, swimming, awarding of golf prizes, etc. Dinner will be at 7:00 p.m. (guests invited).

Members of the Entertainment Committee are: Milo O. Osborn, Chairman, Paine, Webber, Jackson & Curtis; Wilfred J. Friday, Siler and Company; John J. Martin, First of Michigan Corporation; Julius Pochelon, Kenower, MacArthur & Company; Richard C. Spaulding, H. V. Sattley and Co., Inc.

Arthur Vare Partner In Kalb, Voorhis

Arthur Vare on May 1 will become a partner in Kalb, Voorhis & Co., 25 Broad Street, New York City, members of the New York Stock Exchange. Mr. Vare is a partner in Hourwich & Co.

On the same date Miriam Marks and Israel A. Diamond will become limited partners. Leonard P. Brauman, Celia L. Kalb and A. Beck will retire from the firm April 30.

Brauman to Be Partner In Oppenheimer & Co.

Leonard P. Brauman will become a partner in Oppenheimer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange on May 1. Mr. Brauman is a partner in Kalb, Voorhis & Co.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas H. Curtin, Jr. and John E. Fishburn III are now with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Curtin was formerly with First California Co.

With Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Arthur F. Doerfler has been added to the staff of Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco Stock Exchange.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Charles A. Rafter has joined the staff of Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Rafter was formerly with Davis, Skaggs & Co. and William R. Staats Co.

With Protected Investors

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Palmer Bevis has been added to the staff of Protected Investors of America, Russ Building.

With San Jose Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Maurice M. Davis has become affiliated with San Jose Investment Co., Inc., 475 Park Avenue.

Joins Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo.—James L. Stayton, Jr. is now with Allen Investment Company, 1921 Fourteenth Street.

Birkenmayer Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Gene Tober has been added to the staff of Birkenmayer & Co., U. S. National Bank Building.

Joins John L. Donahue

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Harold H. Rumbaugh is now connected with John L. Donahue, 430 Sixteenth Street.

FIF Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Galen E. Rowe, Jr. has been added to the staff of FIF Management Corporation, 444 Sherman Street.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla.—Mrs. Elizabeth S. Clayton is now with A. M. Kidder & Co. Mrs. Clayton was previously with T. Nelson O'Rourke, Inc.

Arthur M. Krensky Co. Forms New Department

CHICAGO, Ill.—A new department to handle dealers' sales has been formed at Arthur M. Krensky & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, it is announced by Arthur M. Krensky, President.

M. D. Sachnoff Frederick V. Devoll

Frederick V. Devoll, Jr., Vice-President, will head the new department. Formerly, he was manager of the trading department.

Morey D. Sachnoff has been named to fill the position of manager of the trading department.

Joins A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — William H. Greene is now connected with A. M. Kidder & Co., 400 Beach Drive, North.

Joins Bache In Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jack G. Chronic is now associated with Bache & Co., 135 South La Salle Street. Mr. Chronic was previously with Merrill Lynch, Pierce, Fenner & Beane.

With Link, Gorman, Peck

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Wilbert T. Wellington has become affiliated with Link, Gorman, Peck & Co., 208 South La Salle Street.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry G. Hart, Jr. has become associated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to be on the thin side. Investors and dealers are still keeping pretty much to the sidelines and they are quite likely to stay where they are until there is more evidence as to what is going to develop. The upping of the discount rate added to the uncertainty which has been prevalent for quite some time in the money markets. The uptrend in interest rates is making the short-term Treasury obligations the important securities because those that must put funds to work in government issues are still very much interested in only the most liquid obligations.

The confusion among prospective buyers of long government securities is about as great as it has been in a long time and this is not expected to be lifted with the increase in the discount rate. Institutional investors which have been doing a certain amount of defensive price buying seem to have given up this policy for the time being at least.

Impact of Higher Discount Rate

The long expected increase in the discount rate has become a reality and the money markets are waiting to see what will happen with the slight additional restraint which has been placed on the lending abilities of the commercial banks. Federal Reserve officials have indicated that the rate increase was for technical rather than economic reasons.

Even though it was stressed that the authorities are not attempting to discourage the recent upsurge in business activity, there is no denying the fact that concern does exist among the powers-that-be over the trend of certain forces in the economy which have a potent effect on the course of business.

The money markets have been on the tight side for quite some time now, and this is well borne out in the increases which have been taking place in yields of government securities. To be sure, when the Treasury bill rate gets close to or even above the discount rate, as has been the case recently, there appears to be little sense in keeping the latter rate under that of the Treasury bill rate. The discount rate here, in contrast with the situation in England and other countries, has not really been a penalty rate for a long time. On the other hand, an upward revision in the discount rate does bring with it certain implications, which will no doubt be given consideration by the money markets.

Monetary Policy Change Underscored

There has been a definite change in monetary policy in this country in the past several months, because the authorities announced that the program of "active ease" was being supplanted by one of "ease only." This was not a drastic move, but it has had a tightening effect upon the monetary system. Now the powers-that-be come along and seemingly reaffirm the new monetary policy which they adopted by increasing the discount rate. To be sure, interest rates are not high now even though they are higher than they were some months ago. Also, a 1¾% discount rate is not likely to create too many hardships as far as certain lending activities of the commercial banks are concerned.

However, if the various things, which the monetary authorities are trying to accomplish cannot be done effectively with a 1¾% discount rate, a higher rate might be tried in order to see how that might work. Likewise, it seems to be rather evident from the remarks which President Sproul of the Federal Reserve Bank of New York made recently at Pullman, Wash., that the discount rate could play a much more important part in the future monetary policy of the country, especially if under certain circumstances the discount rate should assume the role of an anchor for the whole structure of interest rates. [See "Chronicle" of April 21, page 3, for text of Mr. Sproul's talk.]

Coming Treasury Borrowing

Even though the main point of concern at the present time is the future trend of interest rates, there are other things which have to be given consideration by the money markets and, among them, are the money raising operations of the Treasury. It will not be too long before the government will have to be coming into the market for funds. It is indicated that something like $2 billion of new money will be needed soon. While there is always a certain amount of conjecture connected with the operations of the Treasury, current opinions appear to run pretty much to the side of short-term issues being used for such a purpose.

It is being noted that the long-term market has not yet been able to fully digest the $1.9 billion of the long term 3s which were offered not so long ago. Also the appetite for intermediate-term obligations does not appear to be very sharp at this time.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

While the origins of insurance are said to date back to the fifteenth century, in the United States the business in a corporate form goes back to the late 1700's. It was in that era of the business when the insurer provided what crude fire-fighting facilities were available, but only for those properties that bore the appropriate plate evidencing the building's coverage. But this puts fire insurance among the o'dest of American enterprises. Not only are there numerous old companies in the field, but long unbroken dividend records are common, indeed, much more common than is the case of industrial companies, even though the latter are many times as numerous. And the dividend continuity records among fire insurance companies would make an even longer list were it not for brief lapses caused by single catastrophic losses.

Thus the famous Chicago fire in 1871 caused a sizable number of companies to forego dividend payments for several years, for in those days the companies had not fully learned the wisdom of wide geographical distribution of their risks that constitutes such an important safety factor in their operations today.

Another example of dividend interruption because of a calamitous event rather than for management reasons was the San Francisco earthquake and fire in 1906. Yet one of our leading companies, at that time nearly insolvent resumed dividends two or three years later.

Following are the dates of organization of some of the older stock fire companies, with the record of dividend continuity:

	Orang'tion	Years of Uninterrupted Div. Payments
Aetna Fire	1819	82
Agricultural	1863	91
Amer. Insur.	1846	83
Boston Insur.	1874	80
Camden Fire	1841	81
Contin'tal Ins.	1853	102
Federal	1901	53
Fire Asso.	1817	138
Fireman's Fd.	1863	47
Glens Falls	1850	89
Great Amer.	1872	82
Hanover	1852	102
Hartford	1810	82
Home	1853	81
Ins. Co. N. Am.	1792	108
National Fire	1871	83
New Hamp.	1870	85
North River	1822	117
N'western Nat.	1869	81
Phoenix	1854	81
Prov. Wash.	1799	48
St. Paul Fire	1853	83
Security Ins.	1841	61
Springfield	1851	88
U. S. Fire	1824	45
Westchester	1837	84

The frequency of figures in the 80's under dividend continuity, reflects the impact of the Chicago fire, for it was 84 years ago. That catastrophe put 68 companies out of business entirely; and those that resumed dividends within two or three years of such unprecedented losses surely are entitled to our encomiums.

Numerous interesting stories are connected with the founding and development of our leading fire-marine insurance carriers. For example, Fireman's Fund Insurance Company derived its name from the fact that at its organization a fund was set up consisting of 10% of its profits as a charitable contribution to the city's volunteer fire fighters. The originator of the idea correctly predicted that "you'll have them rushing in double time to fight flames in the buildings you insure."

Then there was our oldest stock fire and marine company, Insurance Company of North American, which was founded in the same room in Independence Hall in Philadelphia that saw the signing of the Declaration of Independence. Not long after its founding it pioneered coverage of contents of buildings as well as the buildings, a venture that had not been tried up to that time.

In 1817 when Fire Association of Philadelphia was organized, it comprised 11 engine companies and five hose companies, all interestingly named, such as Vigilant, Good Intent, etc. This company continued its duel functions of insurance coverage and fire fighting until 1871 when the City of Philadelphia inaugurated its paid fire department.

In an interesting book issued by Springfield Fire Marine Insurance Co. is depicted a metal "marker," used by insurance companies in the period between 1800 and 1860. This sign on a house indicated that the property was insured by a company which entered into the subsidization of volunteer fire departments. If a house caught fire and the fire department saw one of these markers in sight, the volunteers proceeded to put out the fire; if there was no marker, they sat down to enjoy the fire.

Considering the tribulations brought on by the many conflagrations and other catastrophes, these early organizations did well, indeed, to survive. Today the business is one of our basic necessities: the stocks among our soundest long-term investment media.

Marsh Planning Branch

CANTON, Ohio — Marsh Planning & Investment Co., Inc., has opened a branch office at 315 Tuscarawas Street under the management of Russell V. Jones.

Stroud Branch in Scranton

SCRANTON, Pa. — Stroud & Company, Incorporated, have opened a branch office in the First National Bank Building under the management of Harold E. Boughner.

Joins Smith & Co.

(Special to THE FINANCIAL CHRONICLE)

WATERVILLE, Maine—Roy R. Goodrich has joined the staff of Smith & Company, 193 Main Street.

With C. F. Childs

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert J. Flynn is now with C. F. Childs & Company, 35 Congress Street.

Joins Zilka, Smither

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — LaVorn A. Taylor is now associated with Zilka, Smither & Co., Inc., 813 Southwest Alder.

Joins Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — William C. Callahan, Jr. has joined the staff of Hall & Hall, Bank of America Building.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Herta H. Levy has been added to the staff of Paine, Webber, Jackson & Curtis, 209 South La Salle Street.

Marshall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Oscar N. Johnson has become affiliated with The Marshall Company, 765 North Water Street. He was formerly with The Milwaukee Co.

Robert Morris Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Harold D. Prentice is now with Robert S. Morris & Co., 100 Pearl Street.

Gerald E. Hall Joins J. Barth Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gerald E. Hall has become associated with J. Barth & Co., 210 West Seventh Street. Mr. Hall was formerly with Weeden & Co. in the municipal department.

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Prospective Inflation And Investment Policy

Inflation usually has been created by the profligate expenditure of government funds during a war, which is the most wasteful expenditure of a nation's resources.

When a government's income is no longer sufficient to meet the prodigal expenditures of a war period, it usually levies confiscatory and ruinous taxes upon its most productive citizens. When these taxes can no longer produce enough revenue to pay for the nation's extravagance, the government does one, or both, of two things: (1) It debases the coinage through outright devaluation and (2) It issues printing press money—either directly or through the indirect method which found favor in the U. S. during the 1930s and later on during World War II.

Under such conditions the potential inflation is unleashed. The money supply is suddenly and greatly increased without any increase in the supply of goods and services that the people wish to buy with that money. As the cost of living advances, the people demand more and more for whatever they have to sell—be it their labor, or their products and services. And so begins the endless wage-price spiral which is the inevitable consequence of inflation. Moreover, the government is also caught in this spiral once it has started. The expenses of the government rise and it resorts to more inflation, prints more money, and raises taxes still further, if possible. The critical stage is soon reached, and government must then attempt to control credit, prices, etc., in order to avoid ruinous inflation. This is the inflation pattern as shown by history.

Inflation in the U. S.

Now, to point out certain truths about our inflationay potential in the United States is not a pleasant assignment. Good business, stimulated by moderate inflation, is considered a basis for optimism. Unchecked inflation is viewed by all as a disaster. Before going into this subject in greater detail, let me say that I am trying to be objective and am not interested in attempting to take sides with Republicans or Democrats, judging the blame for inflation or whether it was justified or unjustified by the times. As students of the economy, we all should be interested in what has happened, and in what will happen.

In the United States, the basis for an inflation was laid in the 1930s by the deficit financing of the period. The start of World War II was the trigger which set the pent-up inflationary forces into play by raising employment and industrial production. Then came the deficit spending of the war period and the inevitable postwar inflationary surge. We are now in a third period where the nation's leaders have decided that business must be maintained and depression avoided even if further inflation is certain. As in all cases in history, the nation's leaders will say that inflation is dangerous only if uncontrolled, that a little inflation is a stimulant to business and that a permanent boom is desirable.

Balancing the budget is an objective of the Eisenhower Administration. However, the present Democratic Congress and any future Republican Congress will find it difficult to cut expenses. Instead, it is almost certain that budget expenses will advance. Income taxes may again be increased in order to control inflation and hold the deficit to reasonable limits. Recently, I spent several days in Paris at "L'Institut National de la Statistique" for the purpose of studying French monetary statistics. From studies on the subject, it had seemed to me that the French inflation from 1914-1939, when in terms of the U. S. dollar the franc declined from 20c to 2½c, was of great timeliness and similar to the conditions prevailing in the United States during 1939-1955 and the approaching 1955-1965 period.

Our system of income taxes gives the Federal Government a main interest in sustaining net income before taxes reported by corporations. This same interest is also to be found in England and to a lesser extent in France. Social conditions of France during the 1914-1939 period are somewhat comparable to existing conditions in the United States during the 1939-1955 period. There are four social factors that exert influence on inflation, that were also true of the French economy: (1) The tremendous political strength of labor, (2) The political value of establishing farm income at the highest possible level, (3) The cost of maintaining the welfare state, (4) The cost of subsidizing industries or granting special privileges to industries.

The income tax system of the Federal Government is the greatest single factor contributing toward continuous inflation. Industries and business spend recklessly to avoid taxation. Many sales expense accounts are very liberal. In ancient days, the kings levied taxes on wealth or sales, as no one cared about "income" as we define it. In England and the United States the idea of taxing profits (i.e. income) has become more important with the years. It is easy to see the tremendous stake of the government in seeing that profits are adequate. Unless General Motors, for example, makes $2.5 billion before taxes, the government loses $1.2 billion in income tax levies.

The individual income tax and the corporate income tax account for about three quarters of the Federal receipts. These sources of income are the first to be affected, should a recession or a depression eventuate. Obviously, the income tax collector cannot obtain revenue from corporate operating deficits. For over ten years, we have stressed the importance of this factor in our various economic reports. The election of a new Congress has not changed the basic fundamentals. The Administration next year will do everything in its power to check quickly any deflationary trends, as it has been proved that the people will not stand for even a modest unemployment figure, and the politicians believe in the idea of a "perpetual boom."

Demands on the part of labor for increased wages will probably have to be met in early future years and demands for guaranteed annual wage must also be met. Full employment must be maintained. Any President who permits unemployment and poor business to continue will soon find himself out of office. We may not have yet reached the Socialized state or have the Welfare state in the United States as it exists in England or France, but as we read the future, the people are thoroughly convinced that it is up to the government to maintain business, employment and permanent prosperity at all times. I doubt if any protests from Old Guard Republicans will be of much avail.

During the recent war, some of the nation's most valuable mineral resources were depleted. Copper was formerly produced at low cost in the United States. Today, high prices are required to permit production of most of our remaining copper reserves. The same is true of many other metals and strategic natural resources. I do not intend to discuss the pros and cons of the protective tariff. However, the mining states exert great political influence, and thus we have the cost of stockpiling non-ferrous metals which comprises a part of the nation's budget expense. We also subsidize production of strategic minerals for defense purposes and purchase metals for stockpile.

The nation is committed to policies which will produce high national income. It is also committed to a program of security and defense. If it were not for the continuing defense expenditures in the United States, I believe that the inflation in the United States could be stopped dead in its tracks if this were really desired by the people. However, even in this case, it might prove difficult. Despite warnings of the bankers and economists, *we get what we want*, and in this case *the people want what we have*.

The people like inflation and so does the average businessman and politician. The forces of the welfare state contribute to the overall inflationary potential. The United States is sold on the system of special privilege. In addition to special treatment for farmers, labor unions, etc., we have hundreds of individual agencies getting benefits (some probably deserved) that are a first charge on the nation's budget income. Each man views his own position as just and the other man's position as privilege. It is very easy for us to criticize the French system of special privileges and ignore the fact that we have anything resembling the "Welfare State" in the United States, but we should view our own economic position objectively.

New Position in World Affairs

The United States is in a new position in world affairs and has accepted certain responsibilities that go with the new status. Our leaders are involved in international economic and political problems and are pledged to continue aid for needy foreign countries. No real peace with Russia has been achieved. Any deflation in the United States of any severity would bring down the currencies of the entire free world and accomplish, at one stroke, all of Russia's objectives. Here again we have another strong factor that is contributing to the inflationary potential.

Our national foreign policy, as I interpret it from reading the daily news, may be expressed very simply as follows: War must be avoided at all costs. Yet, we must continue to spend $25 billion to $30 billion a year for perhaps 20 years, until either Russia is destroyed from within or decides to start World War III itself as a last resort. I am not qualified to say whether this policy of the Administration is right or wrong. *I do know that if we continue to spend this amount of money on defense year after year, for a possible future war, the costs will be prohibitive and inflation is going to prove a very serious problem in the United States.*

Deflationary Viewpoints

You are all probably familiar with the views of several economists who seem more fearful about deflation than inflation. Where only a short range forecast is involved, such viewpoints may have validity. It must also be admitted that if any administration should destroy confidence and frighten the people, a huge government deficit or the mere existence of a huge money supply would not bring about any inflation. Short periods of deflation are quite possible regardless of the fundamental long-term inflationary forces we have been considering. The amount of deflation this nation can stand without complete chaos is very small. The economic effects of quickly reducing defense expenditures would, of course, be catastrophic.

The government's figures on the cost of living suggest that inflation has been stopped for the time being. This is only temporary and, in my opinion, prices are destined to continue a long-term advance. Demand for higher pay for Post Office employees is only one indication of the wage increases to eventuate in the future. Salaries of Army and Navy officers may also be raised. There are many government costs that we all agree are probably justified, but doesn't it seem reasonable to believe that there is some point where we have to take a firm stand and refuse to authorize further expenditures? The answer, in my opinion, is no. Even if a new Senator Taft appeared on the scene, it is unlikely that he could change the sentiment of the people in any way.

Several economists have suggested that, owing to the great national wealth of the country, the national income can not only be maintained, but increased in future years and that any declining in defense expenditures would be offset by new national income accruing from the great growth of the nation. Some economists state that increased production will easily balance increased purchasing power on the part of the masses and thus tend to hold prices down and stop inflation. This viewpoint is probably sound, if only the immediate effect of a sharp increase in supply (production to take care of increased money in circulation, i.e. purchasing power) is considered. However, it is a view which has nothing to do with the broad, long-term problem of inflation. Those who expect increased production to absorb excess purchasing power of the public forget that greater production will itself put enough new money into circulation to buy the increased output. Trying to outproduce inflation is like a man trying to outrun his own shadow.

There are bright spots in the picture which deserve consideration. I certainly subscribe to the prevalent views of leading industrialists and economists that the nation is destined to experience a new industrial revolution and a new age of scientific development and progress. It is no doubt true that the huge increase in population, the growing industrial capacity and greater world prosperity will all tend to maintain production and employment at American plants. The trends we are talking about are of a long-term nature and we do not predict or anticipate any rapid debasement of the currency. However, these things by themselves do not alter the fact that inflationary forces now in operation will increase rather than diminish in early future years.

If I am right in assuming that the government is and will be committed to the policy of maintaining a high national income, it follows that there will be no return to the old classical ideas of economics and it will never again be expedient to allow natural forces to operate. When inflation happens slowly but continuously, as in France, it gradually changes the habits and morals of the people. An undisciplined public continues to clamor for more aid and assistance. Business is eventually so involved in the complexities of a social state that it, too, joins the public in demanding subsidies, grants, aids, etc.

The 1914-1939 years in France were a period of moderate inflation not comparable to the inflation of 1939-1955, and as previously pointed out, these years following the First World War as a period compare in some ways with the years 1939-55 in the United States. Between 1914-39 in France the budget was balanced only in 1926, 1927, 1928 and 1929. In the United States there have been only three years when our receipts have exceded expenditures, 1947, 1948 and 1949. During the two periods under consideration, the budget receipts in both nations advanced by over 1,000% and the national debt of France and the United States by 697% and 558%, respectively.

Corporate Problems

Inflation at times creates great problems to corporations requiring large working capital. Earnings are also affected by the problems created by inflation, and a high degree of selectivity in making common stock purchases is required at all times. The primary inflationary trend in the United States despite interruptions, such as were experienced in 1949 and 1953, may continue upward for a generation or more. This is what is being indicated by the recent advance in the stock market, characterized by ever-increasing interest in equities on the part of pension funds and other fiduciaries.

It is perhaps obvious that there may be numerous periods of correction in the security markets despite the existence of a long-term inflationary trend. This is no time to throw caution to the winds, and it was never more imperative for prospective buyers of securities to "investigate before investing." In closing, I might summarize my views very briefly:

(1) Merely because we love our country and believe in its future is no reason to ignore realities. Many of our national policies have dangerous implications and they should be seriously considered in formulating an investment policy.

(2) Cash or bond holdings in excess of reasonable first-line reserve requirements may prove more speculative over the long-term than equities.

(3) The best defense of capital in these times is a firm and courageous determination to own sound common stocks regardless of the problems of an uncertain world.

John E. Fricke to Be Bache & Co. Partners

PHILADELPHIA, Pa.—John E. Fricke on May 1 will become a partner in Bache & Co., members of the New York Stock Exchange, and will make his headquarters in the Philadelphia office, 121 South Broad Street. Mr. Fricke is executive vice-president of Thayer, Baker & Co.

With Adams-Fastnow

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard D. Lewis has become affiliated with Adams-Fastnow Company, 215 West Seventh Street, members of the Los Angeles Stock Exchange.

Dean W. Titus

Dean W. Titus, associated with Smith, Hague, Noble & Co., in Ann Arbor, Mich., passed away suddenly April 3. Mr. Titus, who had been in the investment business for many years, was a member of the Security Traders Association of Detroit and Michigan.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George W. Schemel has become affiliated with Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

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As We See It

increase in the debt limit, a practice his own party initiated in years past.

There are a number of aspects of all this which most certainly would puzzle an informed observer seated on Olympus. One of these, and one which should have had a great deal more attention than it has ever received, is the basic nature of our "social security" system. We have no idea why it should be dubbed "social security." Indeed, we have not the vaguest idea what meaning could be rationally attached to the words "social security." The security offered in this case, if any is offered, is obviously "economic" not "social" security. But semantics aside, what we have here is a strange sort of hybrid half tax, half public debt, the exact like of which had never been seen, perhaps never imagined, in this country prior to the advent of the New Deal.

Compulsory Debt Purchase

What we really have here is a program of compulsory purchase of government obligations. It has been suggested upon occasion when emergency conditions existed that some sort of plan of compulsory lending to the Federal Government be instituted. Presented in this straightforward way, however, it never could be sold to the American public. What most people do not seem to understand is that precisely this sort of system is now apparently permanently fastened upon us in the form of OASI. If this concept of the system seems startling to the reader, let him calmly analyze what takes place under this system. The vast majority of all the people in this country who earn anything—it is the ambition of the proponents of the system to make it universal among these earners as soon as it can be arranged—are required to pay what is termed a social security "tax." The fact is that they are required to make this payment against a government promise to make future payments to them in the form of an annuity. Some other countries have long had systems of offering annuities to the public—although none of them so far as known to us have made their purchase compulsory except under some such guise as "social security."

The Federal Government has already assumed liabilities of this sort which in total equal, if they do not surpass, the total of all the Federal debt which is involved in this debt limit controversy. Nor is this merely "contingent" debt. It is as certain as if bonds had been handed to the eligibles under the system. There is, to be sure, some legalistic argument at the moment about whether the Federal Government is legally entitled to put an end to the system, and even default on obligations already assumed, but similar argument, so far as practical results are concerned, could be made about any of the Federal debt. There is no way in which a holder of Treasury debt can enforce his claim against the Treasury if Congress does not provide the funds, and there is no way to force Congress to do anything at all. In any event, these so-called social security obligations are as truly debt as any of the bond issues found in the markets.

Yet where is the clamor against the mounting liabilities thus being assumed? For one thing, of course, probably the popular misconception of a "reserve" (consisting wholly of the IOU's of the obligor itself) tends to obscure the facts of this case, at least from the uninitiated; but we are certain that men like Senator Byrd are not deceived by these appearances. And probably few of the great rank and file realize that even such "reserves" as these come to less than 10% of the present value of such accrued liabilities.

Of course, there is really no feasible way in which the Treasury can set up effective "reserves" against these liabilities, any more than it can set up reserves against its bonded debt. Yet not even Senator Byrd has been able to center the attention of the public upon the dangers inherent in such open-end assumption of debt. Payments by the public under the system are called "taxes" and the ordinary man is much inclined to let it go at that. He is told that "reserves" are being built up against future payments by the Treasury, and he does not trouble himself further about it all.

Not Interested

But about such things as these the leaders of neither party are troubling themselves. Nor are they concerned, apparently, with the really serious defects of our present tax system. The "simplification" of tax requirements about which a good deal was heard when the 1954 law was being framed is hard to find now that tax reporting and tax paying periods have arrived. Of course, it would be too much to expect no troublesome technical problems to arise out of such an extended rewriting of a complex law, and it would be impossible to know in advance how tax courts, or even the Treasury, will interpret controversial provisions. Still the fact remains, and still the fact stands out like a sore thumb, that we have retained an enormously complicated and cumbersome system of levying and collecting taxes. And it is still evident enough that the system, despite relatively minor modifications here and there, is still drastically progressive, demanding that the rich be soaked and the less fortunate—sometimes the not so much less fortunate—go all but scot free. The virtual impossibility for the average man to determine with confidence and precision just what is expected of him was the subject of lengthy analysis in this space last week.

There are sundry other facets of this situation which need much more thoughtful attention than they receive—the contingent liabilities of the Federal Government among them—but enough has been said to make the superficial and political nature of current arguments clear beyond any doubt.

Continued from first page

The Stock Market Inquiry

prices rose at a dramatic rate, though it was more like a long-distance runner pacing himself on a road graded up a 45 degree slope. But then, suddenly, in between November and December of 1954, there was a sudden change in the rate of the rise. Stock prices shot upward on what can be envisioned, graphically, as a perpendicular 90 degree cliff; so that by the first of January 1955, stock levels reached heights equal to and even in excess of those on the eve of the 1929 crash.

The second point of contrast was between the stock market and what lay outside it in the economy at large. From September 1953 to November 1954, while stock prices were pumping their way upward, every other index of economic activity—steel production, employment, carloadings, farm income — showed that a shrinkage and tightening was in progress in the main sectors of the economy. Even today, despite the general recovery of recent months, agriculture, the principal activity of my own state of Arkansas as of many other states, remains severely depressed, with no signs of self-generating revival. Today, also, instalment debt for the nation as a whole is at an all-time high of over $30 billion, while mortgage debt during 1954 was increased by $9 billion to bring present totals to an unprecedented $75 billion.

The Great Debate

While the press began to report stock market developments as front page news, it also reported a running disagreement among experts on the meaning of the stock market story. And presently, a cross-country debate was on. Was this 1929 all over again? Or was it a wholly new phenomenon for which the experiences of the past offered no precedent? Was the stock market a self-limiting institution, untouched by and not itself touching the general economy? Or was it so intimately connected that a market crash on the 1929 model would be followed by another Great Depression on the 1929-33 model?

Some experts hewed to an optimistic line, reminiscent of Dr. Coue in the 1920's. They argued, in substance, that every day in every way, things were getting better and better in the economy as a whole; that the stock market simply mirrored this shining fact; and that we had entered a new era without precedent in human experience—an era that was immune to the old virus cycle of boom and bust. But other experts took the opposite line, that a stock market crash on the 1929 model was in the making as a forerunner to a sharp deflation in the economy as a whole. They argued that many of the 1929 elements were already on hand: there was an excessive use of credit for speculative purposes, an obsession with capital gains while plant capacity for the production of real goods lay unused, a massive inverted pyramid of instalment and mortgage debt, and an increasing imbalance between agriculture and industry.

As a Senator from Arkansas, I had a keen personal interest in reviewing the facts upon which the experts reached their opposite conclusions. For as I have already said, Arkansas farmers and many of their neighbors in adjacent states, are now feeling a very tight economic pinch. And any further economic stringency, from any cause, entails the risk of further pinching out what even now is a narrow margin between solvency and widespread insolvency, between social stability and social unease. In the sense that the word "political" means the total life of a people, I frankly admit that I also had a "political" interest in stock market developments. Indeed, I should have been unfit to represent my state if I was not apprehensive about every danger to the welfare of the people who sent me to the Senate.

Yet in a still larger sense — and I ask you to bear with me for another personal reference—I have been deeply concerned not only with what may appear to some of you to be a purely local or regional problem. As a member of the Senate Foreign Relations Committee I have been equally concerned with the way the strength of the free world is linked to the strength of the American economy. The direct dependence is plain enough. It is visible in the form of our various foreign aid programs, all of which, in a sense, represent surplus increments of our rich productivity. Yet the indirect dependence of the free world on the American economy, though it is invisible in form, is of equal if not of greater importance.

It is of equal if not of greater importance because it goes to the root of much of the ideological contest between the forces of the free world and those of the Soviet Union and its satellites. It is orthodox Communist doctrine that Capitalism such as we know in America, carries the seeds of destruction within itself. Not a day passes when Communist organs fail to bleat to the world that our economy is in the fatal grip of a process by which we will be divided into an handful of economic monopolists on one side, and a mass of the dispossessed on the other; that we will know successive depressions of increasing severity; that we cannot provide full employment except in time of war; and that for this reason, the rulers of our society have a natural interest in bringing on war if only to preserve themselves in power.

You and I know that this is arrant nonsense. We know that the greatest of all revolutions of the 20th Century occurred not in Leningrad and Moscow, but on the assembly lines of American factories and in our national legislature. The results of that American revolution were a fantastic increase in the capacity for production through a division of labor, a sustained increase in the real wages of workers, a broadening base for social security, increased labor mobility, the enlargement instead of the elimination of our middle class, and a sustained narrowing of the gap between economic and social inequalities among our people. All that we have achieved here through the union of our industrial technology and the effective operation of our democratic political institutions, is the reverse of what the Communists charge against our name. We have a right to be proud of these achievements. We have a right to point to them as a sharp contrast with what has been going on in the Communist Utopias where class distinctions and class privileges of the cruelest and most lawless sort are the order of the day.

Severe Depression Must Be Avoided

Nevertheless, all our achievements will be undone if we undergo another severe depression. Should that occur, you can count on the Communists to burst the ear drums of the world with their blasts that they alone know how to provide full employment; that they alone know how to attain economic stability; that they alone know how to channelize the forces of social production in an orderly way. And make no mistake about it. Men envious of us, men who do not know the truth about us, men who are now wavering or are uncommitted in the contest between the West and the East, will listen to the Communist blasts, even as they ignore the firing squads and the chain gangs massed behind the Communist orators.

For these many and complex reasons, therefore, it seemed of the utmost importance to study stock market developments, and in a sense, to use it as a microscope that could bring into view any disease-bearing bacilli in the general economy. The time to act, it seemed to me, was when the disease was hard to diagnose yet more susceptible to cure, and not, as in 1933-34, after the diagnosis of a calamity was easy and the cure was costly and painful. I knew, moreover, that any politician who believes in practicing preventive medicine imperils himself on two counts. First, any adverse event which occurs while he is speaking out, is attributed to him personally and not to the forces inherent in the event itself. And second, if by his speaking, he can help check any imminent danger, then, when all is well again, he is exposed to ridicule as a false prophet of doom and gloom. Yet it seemed to me that any reluctance to do one's plain duty on the ground that it might lead to unpleasant personal consequences, was a rank form of negligence.

So the question of inquiring into the stock market was put to the Committee on Banking and Currency and was agreed to. Indeed, a web of statutes enacted over the years, formed a kind of legal command pointing to this decision. The Employment Act of 1946, for example, imposes on all arms of the Government a solemn obligation to play their part in the common work of maintaining economic stability and maximum production. Then, too, under the Legislative Reorganization Act, the Senate Banking and Currency Committee has a legal duty to oversee the work of the Securities and Exchange Commission, which issues regulations affecting securities offered on the Exchange, and the Federal Reserve Act which regulates the flow of money and credit.

No Appraisal of Market Level

May I here add, that within the framework of these laws, it was not the duty nor the intention of the Committee to say whether stock prices were too high, whether they could safely go higher, or whether they should be driven down. Any argument to this effect would assume a power of legislative fiat which would soon make a hash of the free enterprise system. But it was, and it remains, a proper function of the Committee to inquire whether the public interest is being faithfully and wisely served, or whether it can be better served by the maze of forces, public and private, which work through the stock market to influence the general economy.

Criticisms

Nevertheless, there were those who said that the hearing should not have been held at all. Of the two chief grounds of criticism, one charged that the motive of the Committee was the narrow, partisan desire of the Democratic majority to embarrass the Eisenhower Administration. This charge, if you stop to consider it for a moment, is patently untrue. For if the Democratic majority on the Committee succeeded in any degree in forestalling excessive speculation and its familiar aftereffects, this would redound to the credit of the Republican Party who control the Executive. As a matter of fact, if the Democrats on the Committee were guilty as charged of narrow partisanship, then they merit the further charge of partisan stupidity. For the course they should have followed—if the charge of partisanship were true—was to do nothing at all. They should have stood idly by, awaiting the bursting of the speculative bubble under a Republican Presidency; and once this was followed by a severe contraction in the economy, the Republican managers of the economy would be so discredited that the Democrats, as in 1933, would win control of the White House for another 20 years.

The second chief ground of criticism was that the holding of the hearing imperiled confidence in the general economy. One prominent witness before the Committee developed the theory that confidence in the economy was a fragile and subtle thing; that great time and effort goes into its creation, but that it can be destroyed easily and quickly. The clear implication was that the inquiry of the Committee was really a mission for that kind of destruction. Though sufficient answer to this charge should be a look at the current market, I think it is worthwhile to add the remarks of a different witness. He observed that confidence in the economy is more like a rank weed than a delicate flower. The danger is rather that it will grow into over confidence and excessive speculation, than wilt and shrink under the inquiring eye of the Committee. Surely, if the economy cannot stand sympathetic scrutiny without fainting, then we ought to know this truth about it and prepare for the worst at once. On the other hand, if it is a strong economy, it stands to grow stronger through its access to more nutritious soil once the surrounding weeds are plucked.

There is one more point to be made in this general connection. Much was made of the fact that I insisted on using the word "study," and not "investigation" in describing what the Committee undertook to do. That word "study" was carefully chosen, for the term "investigation" used in connection with Congressional committees has come to imply the presence of a suspected presence of wrongdoing. If the aim had been a few cheap headlines, then the term "investigation," with all its clamorous overtones, clearly would have been in order.

And indeed, it may be a matter of interest to report that several leading members of the press corps who followed the course of the hearing, complained to me that the hearings were lacking in melodrama. It was difficult, they said, to write colorful stories when the Chairman failed to produce the sense of a contest between the angels of light and the angels of darkness. I admitted that there was this difficulty, but suggested that I felt like congratulating myself for having helped create it for them. I said that when I undertook the study, I knew of no wrongdoers. The witnesses who were called to appear before the Committee were not there in the role of the accused. They were there voluntarily upon the invitation of the Committee because we believed their experience was such that they could help us in our work. I hoped, therefore, that the word "study" would reassure the financial community that the hearing would be conducted without resort to an all too familiar pattern of broad accusations; that it would be conducted soberly and not in a witch hunt style.

Excellent List of Witnesses

Which brings me to the hearings themselves. For our purpose, I feel that the list of witnesses was an excellent one. It is undoubtedly true that we had too many men from the financial community and too few from other walks of life. This, however, was not by conscious design. Several individuals and organizations who were extended invitations, declined to appear on the ground that they had no direct involvement with the stock market. It is not improbable, however, that some of the individuals who declined did not relish any appearance before a Congressional Committee for any purpose whatsoever. Nor can they be blamed too much for their caution in this respect, since in recent years it has become the habit of some Senators to mistreat, abuse and punish by adverse publicity any witness with whom they disagreed. As I've already said, I had hoped that this would not be the case in any hearing over which I presided. But I regret to say that this abuse of witnesses nevertheless cropped up as a feature of what went on, despite my earnest desire that the contrary would be the case.

What did the hearing bring to light, and what did it accomplish? Before I try to answer this question, let me emphasize that I am speaking here only for myself. The Committee as a whole will in time issue a report which may or may not coincide with my own view. Moreover, my own attitude, based on what I heard the witnesses say, and on what the replies to the Committee questionnaire revealed, is subject to change in its details. But as of this moment, I am of the opinion that we are in fact experiencing the beginning of excessive speculative activity in our market. I am not implying that I think prices are too high in the case of individual stocks or in the average market level. It would not only be improper for me to venture any such opinion in my role as Chairman of the Senate Committee. I think that no one, except the free market itself, can say whether a stock price is too high as long as buyers are willing to pay it.

Speculative Activity

My reference to excessive speculative activity is limited exclusively to the way the stock prices are being reached. The method involves not only the rate of the rise, but the whole well-known cluster of things that traditionally go hand in hand with high-running speculative fevers. It involves the prevalence of tipsters, flamboyant advertising keyed to expectations of quick appreciation, increases in the amount of credit, the tendency to avoid credit restraints, the tendency to resent and resist all warnings of caution, the introduction in the market of a rash of new issues such as penny uranium stocks which are transparently speculative in character.

Of equal importance among the factors involved in this speculative fever, is one I've alluded to in a different connection. It is the widespread belief that because we have thus far avoided a depression, such as was widely predicted at the end of World War II, we have entered a new economic world in which tomorrow will automatically be better than today simply because 24 hours have passed. This shallow optimism is uncomfortably reminiscent of the attitude which preceded the Great Crash of 1929. Note that I said "reminiscent"—not identical in scope or basis. Since the Great Crash, we have made many improvements in the structure of our economy and in the emergency apparatus that is available to the government in case of need. We are thus entitled to hope that even now, we stand on firmer ground than in 1929 in the event of a stock market shake-down. But I would add that we have by no means reached a perfect and riskless society—"a sure-thing" kind of society capable of flying into outer space where the laws of gravity no longer hold true.

Relationship of Market to General Economy

Because of our study, I, for one, have had my attention focused all the more sharply on the elements of danger present in the excessive mortgage debt, in the excessive installment debt, and on the way the farm economy has lagged substantially behind other sectors in the general economic recovery of the last few months, following the slippages from September 1953 to around January of 1955. So, too, have I had my attention focused on the connection between the institution of the stock market and the general economy. I confess that I would hesitate to pinpoint the precise relationship between the two, or how either one would react to events in the other. But without going into the complex details of the case, the existence of varying degrees of intimate relationship between the market and the general economy, was borne out by numerous witnesses before the Committee. For this reason, it would be well if the general public, active participants in the market, and government leaders, broke the hypnotic spell cast over them by the rise in stock prices, and looked at the danger signs in the larger economy of which the stock market is a part.

If this feeling about a new era reaches a point where great numbers of us refuse to believe that our economy can be exposed to new dangers; if we refuse to examine it critically with a view to devising safety measures against any gathering peril, then this negligence will in itself be a multiplier of danger. I do not say that we have been completely seduced into throwing all caution to the wind because of talk about a new era. I do say that there are marked signs in some quarters of an inclination to do just that.

Irony of Market Behavior

In summing up the results of the hearing thus far—and there are several lines of inquiry which the Committee and its staff intend to pursue further—I realize that newspaper reports of recent days lend a certain air of irony to the hearing itself. Far from destroying confidence, as some people charged, stock levels are now at an all time high. Despite the clear warning sounded by experienced witnesses before the Committee that the stock market is no certain avenue to quick riches, hopeful amateurs continue to pledge their life savings in the market, in the expectation that it will come back to them as a bonanza strike.

The Committee itself may, in fact, be the only people who have had an immediate benefit from the study of the stock market. Since the last study by a Congressional Committee was in 1934, I feel that we have better educated **ourselves** in a major area of our legal responsibilities, in the course of trying — and perhaps failing—to educate the **public** as to the purpose and operations of the stock market. We are now at work reviewing a number of legislative and administrative recommendations affecting the stock market, and in due course, these will be presented for public discussion. You will agree, I feel certain, that it would be out of order for me to discuss them at this time before they have been perfected in detail, and indeed before the Committee formally affixes its signature to what it wants to recommend.

A final word—however extravagantly private persons may behave in risking their resources on a very chancey game, this does not absolve the Banking and Currency Committee from its own responsibility to haul up the danger signals. But once this is done, however, we come abreast of an old truth applicable to virtually all aspects of life in a democratic society, and not to its economic life alone. It is the truth that the laws reach but a very little way in keeping a democratic society on a wise course. Enact what laws you will, infinitely the greater part of the task of wise management must fall to the prudence and intelligence of each individual in that society, acting in a private capacity as he seeks his personal good, while trying to avoid evil. Legislators, through the device of a hearing, can bring together relevant facts bearing on a standard of prudence. But they cannot force individuals to rally to that standard if siren songs pull them in an opposite direction with promises of windfall, effortless joys, and wealth.

Railroad Securities

Chicago, Rock Island & Pacific

Chicago, Rock Island & Pacific has now officially called its preferred stock for redemption on May 9, 1955 at 105 plus accrued dividends from April 1, 1955 to the date of payment. The accrued dividend will amount to about 54 cents, bringing the total payment to $105.54 a share. Up to the close of business April 29, the stock will be convertible into the company's common stock on a share-for-share basis. Last week the common became quite active and moved into new high territory for the year, a fraction above 97, before backing off slightly. To finance the payment of the preferred, which was outstanding in the amount of 646,900 shares, the road has arranged with investment bankers for the sale of a maximum of $65 million Income Debenture 4½s, 1995 at par. The balance of the necessary funds would come from the company's treasury.

As some of the preferred stock may be converted in the interim before redemption, it has been provided that to the extent that the aggregate redemption price, exclusive of the accrued dividends, of stock remaining to be redeemed is less than $65 million the amount of bonds to be issued and sold will be reduced accordingly. Even if the common stock does not rise to the conversion parity of 105 prior to April 29, and, in fact, even if it goes no higher than last week's peak, financial circles believe that a considerable amount of the preferred stock will be converted. It is pointed out that many of the present holders of the stock received their shares in the reorganization at a very low carrying price and that even after it was issued it sold down in the middle 40s. Thus the question of large capital gains arises if the preferred is sold or held for redemption. No such capital gain is established if the stock is converted into common and the common stock retained.

If none of the preferred stock were to be converted the operation would involve a saving to the company equivalent to more than $1.00 a share of common now outstanding. This would stem from reduction in charges from 5% on the preferred to 4½% on the Income Debentures and the Federal income tax saving from substitution of a deductible for a non-deductible charge. If all of the preferred is converted, in which event none of the bonds will be sold, the amount of common stock outstanding will be increased from 1,408,768 shares to 2,058,862 shares. On that basis share earnings of $10.96 last year would be reduced to $9.07, pro-forma. While the dilution would be considerable, most analysts are of the opinion that it would be more than compensated for by the further strengthening and simplification of the road's capital structure. There would then be outstanding in addition to the common stock only $48,690,000 1st Mortgage 2⅞s, with a liberal sinking fund, and $48,542,220 serial equipment trust obligations, one of the most conservative capitalizations in the industry.

In the years since its bankruptcy Rock Island has benefited substantially on two counts. Operating efficiency and the company's competitive status with respect to lucrative transcontinental traffic have been improved by the comprehensive dieselization and property improvement programs which have involved the expenditure of more than $207 million in the last 10 years. Trafficwise, the company's status has also been bolstered to an important degree by industrial growth of the service area and contiguous territory. These favorable trends are expected to continue. Until it is known how much preferred is to be converted, it is difficult to estimate 1954 earnings with any degree of accuracy but it is generally felt that a guess of between $12.00 and $15.00, depending on the number of shares to be outstanding, should be reasonable. On this basis, there is considerable optimism as to the possibility of more liberal dividend policies in the not too distant future.

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Business Prospects in The Coming Months

year. The 1954 low was in the third quarter, when gross national product was at an annual rate of $355.5 billion.

In the first three months of 1955, gross national product was running at an annual rate estimated close to $370 billion. At this level, total output is above the annual rate of 1953 and has reached the rate of the peak quarter of that year. Particular strength has been evidenced in spending on consumer durable goods and on construction.

Industrial Production — The Federal Reserve index of industrial production is currently estimated around 135 (1947-49=100). This represents an increase of 12 points from the 1954 low of 123. Furthermore, the present level is only 2 points below the peak months of mid-1953, when the index stood at 137. Indicative of the broad character of the recovery is the fact that in every one of the 25 industries for which separate seasonally adjusted statistics are available, production in February 1955 was above the 1954 lows.

The upturn has been most pronounced in the durable goods industries, reflecting the great strength in construction and in the automobile industry in recent months. Despite this sharp rise, however, the index of durable manufactures, at 147 in February 1955, is still significantly below the record of 157 established in July 1953. The major reasons for the failure of durable goods production to reach its 1953 peak are probably the cutbacks in the defense program and the lower levels of business spending on plant and equipment. The production index for nondurable manufactures has also been rising and is now at or near the record level of mid-1953.

Automobiles, Housing and Debt Expansion

Those who are skeptical of continuing economic improvement cite a variety of reasons for their doubts, including that (1) automobile production may be cut back, (2) some construction activity, especially residential building, may weaken, (3) the current improvement in textile and other soft goods production may come to an end and before the close of the year, (4) consumer indebtedness is high and rising, and (5) the amount of real estate mortgages outstanding is increasing rapidly. Since the automobile market and home building, both financed largely through an expansion of credit, are providing important support to current business activity, the outlook for these strategic sectors of the economy merits particular attention.

Automobile Production — The automobile industry has made a major contribution to the present business recovery. The strength of the automobile market has probably surprised the industry, and goals for 1955 have been successively raised, so that some current estimates of domestic sales reach as high as 6½ million passenger cars, or even more, assuming no major or protracted strike. However, production in the first half of the year may be close to 4 million units, so that even the more optimistic of the current industry estimates, if realized, would imply a sizable reduction of output in the second half of the year.

While the effects of such a contraction will probably be felt in a number of important industries, they are not likely to be so strong as to bring about a renewed decline in total business activity. Before World War II, a production cutback in the automobile industry in the second half of the year was a normal development; the customary pattern involved sales of 55-60% in the first six months. Therefore, a fairly substantial cutback in automobile production in the latter part of 1955 would not be an unusual phenomenon.

Building and Construction — Building and construction activities have been displaying great strength in recent months. So far in 1955, private residential housing units have been started at an annual rate of 1.4 million units; the annual rate of construction outlays has been 10% above 1954; new contracts have continued to exceed previous levels. Even though these levels may not be sustained throughout the year, current estimates are that expenditures on aggregate construction activity will set a new record in 1955.

The major uncertainty is in the outlook for residential building. Many factors may be cited which tend to support the housing situation, such as (1) the record number of births in 1954, (2) pressures on housing facilities resulting from larger families, (3) the lower cost of home ownership compared to renting, (4) the sustained rapid movement to the suburbs, and (5) the continuing availability of mortgage money in large amounts.

On the other hand, new housing starts have been running at a rate which is twice estimated household formation, and there is little doubt that a continuation of this trend will add significantly to vacancies. Also, the rapid rise of mortgage debt gives some concern. There is some prospect that continuation of the present high rate of starts may mean some tightening of lending terms. This, coupled with the possibility that some of the starts in recent months reflected the impetus provided by the enactment of the Housing Act of 1954, may very well contribute to some decline in residential starts below the 1.4 million annual rate that has prevailed so far this year. A sharp drop in the rate of residential building, however, is not indicated. Consequently, completion of 1.2 to 1.3 million housing units seems a reasonable estimate for 1955. This would mean total starts about equivalent to 1954, which was generally regarded as a good building year.

Consumer Debt — Both total consumer credit, at $30.1 billion, and instalment credit, at $22.5 billion, were at record heights at the end of 1954, and about 1-2% above the previous peaks at the end of 1953. Consumer indebtedness increased significantly in the postwar years not only in dollar amounts but also relative to disposable personal income. The growth of the past 12 months, on the other hand, was at about the same pace as the rise in disposable income.

Instalment credit has recently shown renewed evidence of rapid growth, which is not unexpected in view of the strength in automobile sales; increases will continue as long as the automobile market remains strong. From the point of view of the business outlook, the significant question is whether limitations upon the expansion of consumer debt may contribute to a curtailment in the market for automobiles and other consumer durable goods. It is assuredly difficult to judge when the amount and distribution of outstanding consumer debt and the concomitant burden of meeting payments will restrain further instalment buying. Present judgment is that funds will continue available in sufficient amounts and on terms that will permit further increases in outstanding instalment credit in the months ahead, but that later in the year, with some easing in the market for automobiles, instalment credit may be expected to level off. Shortages of funds are not likely to be a significant restraint in the predictable future, and a tightening of lending terms is not anticipated. It is not believed that lending provisions have been so liberalized as to create the prospect of a sharp rise in repossessions and in credit losses.

Home Mortgages — The growing level of mortgage indebtedness has also given rise to some concern. Real estate debt on 1-4-family houses, the type of indebtedness that is in the forefront of discussion, as of the end of 1954 is estimated at a record of $75.6 billion, representing an increase of $9.3 billion for the year. The level of residential building in prospect presages an increase in 1955 fully as large as in 1954, and probably somewhat larger.

Whether the rapid rise in mortgage debt and the liberalization of lending terms may create difficulties for the future is a question of basic importance. It does not appear to be a crucial factor, however, in appraising the business outlook for the remainder of 1955. Home mortgage debt outstanding is almost 4 times as large as in 1929, while disposable income has expanded not much more than 3 times. However, more widespread home ownership has been reflected in a large decline in mortgages on multifamily structures, which means that mortgage debt is more widely dispersed than a quarter century ago. Furthermore, interest rates are significantly lower than they were in 1929, regular amortization has become a rule, and monthly carrying charges on most homes are below rentals for comparable quarters. Consequently, comparisons of home mortgage debt outstanding with earlier periods are not too meaningful.

While the long-range implications of present financing practices are debatable, it appears that a sufficient volume of funds will be available for investment in mortgages in 1955 to finance at least the 1.2 to 1.3 million new houses expected for the year. Lending terms may not be quite as liberal as in recent months, but are not likely to be raised drastically.

The Second Half of 1955

Looking ahead, it appears that a more than casual but by no means unusual decline may be expected in the production rate of automobiles later in the year, which is likely to affect some important supporting industries. Also, an easing in the rate of residential building would not be surprising.

However, the course of American business activity is not determined wholly by trends in one or two industries, even if they are of substantial importance; at one and the same time, divergent trends are frequently in evidence in various sectors of the economy. Thus, in the downturn in 1953, spending by the Federal Government, by businesses on plant and equipment and on inventories, and by consumers on durable goods all declined, but state and local government outlays, construction expenditures and spending on consumer nondurable goods and services were generally rising. In 1954, the upturn developed while spending by the Federal Government and by business on plant, equipment and inventories were still declining. Consequently, the prospect of some easing in automobile production and, possibly, in residential building does not necessarily presage the resumption of a downturn in aggregate business activity. There are important sectors of the economy which are likely to provide greater support in the second half of the year than at the present time.

Government Spending — Total spending by governments is likely to be higher in the latter part of the year. The steady postwar rise in spending by state and local governments shows no sign of ending; large unsatisfied needs remain for public facilities of all kinds. The cutback in spending by the Federal Government is behind us; spending appears to be levelling off and may even increase somewhat in the course of the year.

Plant and Equipment Spending —Business spending on plant and equipment has been sagging since 1953. The prospects are that such spending is now near its low point; some increase in the rate of spending seems a reasonable expectation for the second half of the year. This appraisal is supported by the latest survey of spending intentions, which confirms the general thesis that the upturn in business activity is likely to be followed, with some lag, by a rise in business spending on plant and equipment.

Business Inventories — Changes in business inventories also tend to lag behind changes in production. In 1953, accumulation of business inventories continued for a few months after production had peaked off; in the last quarter of 1954, inventory liquidation persisted in the face of sharply rising output. By the early months of 1955, it appeared that the liquidation of business inventories had largely come to an end, and present prospects are that inventory building will be a sustaining factor in the second half of 1955. Some business inventories were allowed to get down to abnormally low levels in 1954, and their replenishment in recent months has been retarded by higher requirements of producers and consumers. At the same time, current higher levels of production and sales pose the need for somewhat larger business inventories than in 1954. Thus, most signs point to some accumulation of inventories in the months ahead.

Consumer Spending — Consumer spending rose sharply in the closing months of 1954 and recently has been running at peak levels. The strength in the market for automobiles has contributed to record sales. However, the increases in sales are fairly general and are evident in aggregate statistics of sales of durable goods and nondurable goods, department store sales and others.

Consumer spending will probably set a new peak in 1955. Personal income is at record levels and a further rise is to be expected, since increases in employment and hours are in prospect and another round of wage boosts in important industries will be under way within the next few months. Also, consumers are displaying their willingness to spend a somewhat larger percentage of their incomes. Finally, the high rate of new residential building will provide strength to the markets for appliances, house furnishings and other goods.

General Outlook — While some easing in important industries is to be expected later in the year, other sectors of the economy are likely to provide sufficient support to prevent these adjustments from cumulating into a general downturn.

The possibility of some levelling off in the broad indicators of economic activity should not be ruled out. In fact, some downturn for a month or two would be consistent with historical experience in other periods of recovery. Economic indicators seldom move continuously in one direction without interruptions or even minor reversals. However, any declines around mid-1955 are not likely to assume major proportions, and the broad recovery movement may well continue into 1956.

Some Major Imponderables

Appraisal of the business outlook must necessarily proceed with due awareness of the many imponderables which prevail at all times and which may radically affect the course of events. Two broad areas of uncertainty loom particularly large at this moment. One is the labor scene, which appears more clouded than it has been for some time; the other is the international arena, where new events seem to be taking shape.

The Labor Situation — Present expectations are for a round of wage increases in 1955 which will be more substantial than those of 1954 or 1953. However, it seems probable that wage increases will be attained without extended and disruptive strikes in major industries.

A more difficult question is whether the demands for some form of guaranteed annual wage can also be met without protracted strikes, involving the automobile industry and possibly others as well.

Possibly a basis for agreement can be achieved that will involve acceptance, by management, of the guaranteed annual wage in principle but under terms that will not, in the early stages, involve heavy or onerous burdens for the companies. Furthermore, it is possible that the unions may strike only one major producer; if so, other companies will probably be able to moderate the drop in output. In any event, the labor contracts for the two leading producers in the industry do not terminate until late in May, which is near the end of the seasonal peak of automobile sales. Thus, even should a strike develop in the automobile industry, its impact upon the economy as a whole would probably not be of major proportions.

International Outlook — The postwar economy has repeatedly and in many ways reflected the impact of international developments. It is conceivable that in the past several months, uncertainty with regard to the future may again have contributed to some buying by consumers and business.

The present international outlook is confused and complex to the point of contradiction. There is some hope that relations with the Russians may improve, although any progress toward achieving a basis of cooperation which would permit further substantial cutbacks in armament expenditures is hardly likely to be so rapid as to pose problems of adjustment for the economy in 1955. On the other hand, there is a real possibility that conditions in Asia may so deteriorate as to involve our participation in a shooting war; the result would almost certainly be to increase business activity, employment, incomes and prices.

The immediate and direct economic impact of renewed hostilities, if essentially local and limited, might not be as strong as in 1950, at the outbreak of war in Korea. Our military establishment is much better equipped, our level of defense spending is much higher, and our stock of industrial plant and equipment, of residential and other buildings, and of consumer durable goods is much larger today than in mid-1950. However, there is always the danger that what started out as a limited engagement may assume broader scope; to guard against this contingency, some increase in the defense program would probably be regarded as prudent. Also, psychological factors may become significant; confronted with renewed fighting, both consumers and businessmen would be tempted to step up their buying, creating the prospect of upward pressures on prices and a possibility of another inflationary spiral, especially as prices of industrial commodities have already been advancing in recent months. The extent of such an inflationary spiral, should events take this course, would presumably depend upon the course of military developments, upon action with regard to price and wage control, and upon the effectiveness of restrictive credit policies, which would certainly be promptly applied.

Summary and Conclusions

The economic recovery that began in the closing months of 1954 represents not a temporary interruption in a continuing downward movement in the economy but rather a basic cyclical change in direction of aggregate business activity. The recovery is largely the result of business and private initiative operating in a favorable economic climate. Business and public sentiment remained confident, and Government policies helped create a favorable environment. Tax reductions early in 1954 helped sustain disposable personal income and gave some added incentives to capital investment; credit policy fostered an environment in the investment market which was favorable to long-term borrowings; the Housing Act of 1954 stimulated residential building. At the same time, recovery developed without the stimulation of a large and growing Treasury deficit.

Prospective Pattern of Business Activity—It is evident that business recovery has been both vigorous and widespread. The 1953-54 downturn of industrial production has been largely retraced, and output is above 1954 lows in every major industry.

Assuming that the international situation does not change significantly, this broad cyclical swing appears likely to continue through 1955 and into 1956. In view of prospective cutbacks in automobile production and some easing in other industrial sectors, a levelling off, or even sporadic declines, in some of the indicators of aggregate economic activity is a reasonable expectation. The plateau or sag in activity, however, is likely to be no more than a temporary interruption of a rising trend, and may be followed by further increases in activity, possibly starting in the fall of the year. The second half of 1955 is likely to show increases in consumer spending, in business spending on plant and equipment, in business inventory accumulation, in spending by state and local governments, and probably in Federal Government outlays as well. Despite some uncertainty with regard to residential building, the consensus is that for the balance of 1955 at least, private building and construction is likely to remain near current high levels.

Output—Recent developments confirm earlier judgments that gross national product is likely to set a new record in 1955. An increase of 2% or so from the previous record of $365 billion established in 1953 may be anticipated. For the Federal Reserve index of industrial production, a 1955 average around 135, or even somewhat higher, seems a reasonable guess at the present time.

Comodity Prices—The aggregate index of wholesale prices has displayed remarkable stability during the past two years; price weakness in 1954 was confined almost entirely to farm products, while industrial commodities remained substantially stable until late in the year.

In recent months, price advances have been recorded in a wide list of metals and metal products, in machinery and lumber, and other commodities. If the business pattern develops as here anticipated, further price advances for industrial products appear probable, and the wholesale commodity price index may show a small increase for the year. However, barring war scares or a "boom" psychology, price advances in 1955 are not likely to become sharp or general.

Interest Rates—Consistent with the foregoing estimate of business prospects is the expectation that upward pressure upon interest rates will continue. Requirements for credit, both long- and short-term, are likely to continue strong. In particular, further increases can be anticipated in consumer and in mortgage debt in 1955. The credit authorities will probably wish to maintain reasonably firm conditions in the money market. Should the pace of recovery accelerate or come to be characterized by "boom" or speculative conditions, a more restrictive credit policy would be in order. However, the record of past years justifies the hope that the attitude of cautious rather than all-out optimism that has characterized the thinking of bankers, businessmen and the public in the postwar years will continue and that speculative excesses can be avoided.

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Private Enterprise And Atomic Energy

work, it clearly requires a broader access to information than it needed to perform specific government contracts. It is almost axiomatic that the success of future planning is directly proportional to the amount of information available. Without adequate information industry cannot be expected to show real initiative. Without adequate information the purpose of the 1954 Act may be frustrated: industry will not be able to exercise any more initiative than it did under the Contract system.

Decentralization of Decisions

This is a point of the most crucial importance to the success of the atomic program. As we see it, one of the real keys to the success of the American economic system is that planning and thinking have never been "centralized." Many different people in many different places and positions have had the power to plan and to make decisions. Initiative has been individualized, not centralized. It is this which has distinguished the American economy from the cartelized or socialized systems of other nations. The change in the role of private industry, contemplated by the 1954 Act, is a recognition that this principle should be applied in the atomic field.

I am sure that it would be unrealistic to suggest that an information program designed to stimulate widespread participation, and to enable participants to exercise initiative, would not have an adverse effect on a program of guaranteeing maximum security for atomic information. The more widely atomic information is distributed the greater the risk will be that some information will get into unfriendly hands. The acceptance of greater risks, it seems to me, follows logically from the decisions about private participation incorporated into the 1954 Act. The principal justification for accepting such risks lies in a confidence in the potentialities of American industry. It rests on the belief that the information which must be declassified, or down-graded into less "secure" classifications, will produce greater advances by American industry, than the increased "leakage" of information will produce behind the Iron Curtain. I submit that this belief is amply justified by the past performance record of American industry.

Furthermore, any evaluation of security standards must take into account the extent of atomic work in foreign countries, friendly as well as unfriendly. If any restrictions are maintained over information which is available in other countries, the result of such restrictions will be to handicap American business in the race for atomic leadership. The rapid expansion of foreign atomic activities would seem to call for extensive declassification in this country.

Dangers of Secrecy

In this connection I believe that the tendency to consider secrecy and security as one and the same is predicated on a serious underestimation of the scientific and technical capacity of foreign countries.

In 1945 when there was a tendency on the part of many to question the ability of the Russians to build an atomic bomb, our Dr. Langmuir predicted to the predecessors of this Committee that the Russians would be able to build a bomb in about three years. In other words a country with the will to do so, could, regardless of our secrecy policy, catch up with us in technical matters in a very short period of time. I believe that the best way to preserve or increase our lead is to rely on the peculiar advantages, namely incentive and individual enterprise, of the American economic system. In the end Congress must choose how much to rely for our security on secrecy and how much on the free enterprise system.

Let me make clear that I am not suggesting that secrecy considerations can or should be disregarded. What I am urging is that the new Act calls for a change in the relative weights to be accorded to the conflicting considerations of secrecy and availability of information. I would like to suggest a number of concrete steps for your consideration.

Recommendations on Information

First, I think that more can be done to make unclassified information readily accessible, to make industry aware of what is available without security restrictions.

I know that a lot has already been done. However, atomic energy has for so long been surrounded by an aura of mystery that far too many people continue to assume that no useful information is available. I feel that we could well intensify our efforts to publish and circulate unclassified information, to compile and arrange it in forms which make it accessible and useful to those who might be interested, and above all, to publicize its existence. I would like to see the Commission pressing to get before the general public as much information as can be released under security rules.

Secondly, I believe that a great deal of information presently classified can now safely be declassified. It seems to me that this is consistent with the new declassification standard, set forth in Section 142(a) of the 1954 Act. I refer to the concept of publication of information insofar as it can be done "without *undue* risk to the common defense and security." We certainly recognize that there are categories of information which cannot be declassified but we would like to stress that the balancing of considerations in determining "*undue* risk" should take into account the new Congressional policy relating to industry participation. Declassifying information to the fullest extent feasible provides the most effective means of hastening progress and of promoting the interests of companies previously without atomic experience. This, however, would take major effort. Changes in basic classification manuals will not do the job unless effective means are taken to review, collate, and present to the public and industry a complete story in declassified fields.

Third, to the fullest extent feasible, I suggest the downgrading of information classification and the granting of appropriate clearances for access to such information. These clearances should be granted to any person who meets security requirements regardless of whether the person or the firm involved has a contractual relationship with the AEC. This principle should apply to all interested parties as, for example, architects, engineers, banks, and insurance companies. As a general proposition I believe such people should have access at least equal to that afforded contractors who plan, design, and operate AEC facilities.

Fourth, we urge the creation of one or more libraries and information centers where properly cleared people can get access to a wide range of classified information. Such an information center should be organized so that the categorization of information access associated with a security system is minimized.

Fifth, a formal procedure should be established for providing access to people and to plants. It seems clear to me that to provide the necessary knowledge more is needed than mere access to written materials. Companies presently engaged in atomic work as well as new companies interested in entering atomic work should be afforded greater opportunities to study existing AEC laboratories and facilities and to obtain the advice and guidance of individuals possessing extensive experience.

Greater Freedom

It is not enough merely to give security clearances to more people. It is also necessary that there be greater freedom in the way the information can be used. Scientific progress is never very rapid when work has to be carried on in isolation. The opportunity to exchange ideas with others, even with people working in relatively unconnected lines, frequently leads to a very rewarding kind of cross fertilization of ideas.

We have deep reservations about any attempt to control by contract the scope of legitimate inquiry. Restricting access to information by means of a "job to be done" concept could easily put licensees into an intellectual straitjacket. The "job to be done" concept is squarely inconsistent with the premise of the licensing system that industry should exercise initiative. Planning, by definition, must precede the choice of job to be done. To have value, planning studies must range far beyond the bounds of any particular "job." Freedom must be granted to examine exhaustively many different alternatives. The security system should not restrict by compartments what people can study and examine. If it does, technical progress will be hampered. Furthermore, industry may be reluctant to invest its resources if it does not have the confidence that it has examined everything that will have a bearing on the prospects of its ventures.

Encouraging Competition

The General Electric Company has no interest in being "an insider" in a field to which access is restricted. We hope that entry into the atomic business will be as free as possible. The General Electric Company has grown and prospered in a competitive economy. We deeply believe in the value of competition. The larger the number of companies that are enabled to exercise real initiative the faster atomic progress will be. It is in such a competitive and progressive atomic industry that we would like to make our place. I feel quite certain that this, too, is the kind of industry which your Committee envisioned in drafting the 1954 Act.

Let me emphasize the point I would like to leave with you: To broaden the base of participation in the atomic energy industry, and to enable the members of that industry to exercise the kind of initiative which has been responsible for America's industrial progress, greater freedom of information is an absolute necessity.

The Licensing Power

An equally basic problem is raised by the scope of the Commission's power to grant licenses and to control the activities of licensees. In discharging its responsibilities under the licensing provisions of the Act, how much control is the Commission required to exercise over who is permitted to enter into the atomic business, and what is done by the participants?

Under the language of the Act the AEC has very broad discretion. The statutory licensing standards provide little in the way of specific, detailed guidance. The AEC could use its power to grant or withhold licenses and to supervise the operations of licensees so as to retain in effect a central planning role in the development of the atomic energy industry. The crucial issue is whether the Commission, in fulfilling its obligation, must introduce its own conceptions of what is "practical" or "desirable" into the licensing process. In other words: must the Commission insist on the right to evaluate the merits of a project before deciding whether to license it?

We come back here to the same question discussed in relation to the adequacy of information: will initiative for atomic development be centralized or individualized? Either a liberal or a restrictive approach can be adopted. By a restrictive approach I mean granting materials and operating licenses only to projects which the Commission deems desirable. By a liberal approach I mean granting licenses for any project in which an applicant has sufficient confidence to be willing to risk his own money, without an evaluation by the Commission of the particular merits of the project.

If the first course is adopted, the result will be to stifle industry initiative. There would be little practical change from the situation under the old Act where the Commission, as a matter of administrative decision, decided what projects were necessary or desirable, and then let contracts to companies willing to carry out such projects.

Urge Liberal Approach

We urge the adoption of a very liberal approach. As a general policy, we believe that all applicants should be licensed as long as the materials are available, and the proposed use does not involve dangers to security, health, or safety. Regarding these latter factors, we urge that the Government provide positive help to private

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Private Enterprise And Atomic Energy

concerns so that they may meet proper standards.

It may be true, of course, that the amount of material available places a limit on the number of licenses that can be issued. While I have no information on the quantities that can be spared from military requirements it does not seem reasonable to me that licensees' needs will constitute a serious drain in the immediate future. For more distant demands, I think that uranium sources could be discovered and developed in amounts quite adequate to provide for a very substantial industrial power program.

I recognize that, even when in plentiful supply, atomic materials should not be squandered or wasted. I doubt, however, whether this is likely to be a serious problem. The business realities of the atomic energy industry are such that no one is likely to enter it lightly and without extensive planning. At the most the Commission should make a very broad determination designed only to eliminate projects which are so clearly frivolous as to constitute an obvious waste of nuclear material.

Assuming then that the quantity of available materials does not impose a real limitation on the number of licenses that can be issued, it seems to me that the principal prerequisites which the Commission should consider are considerations of national security, public health, and safety. Except in line with the broad standard of avoiding a completely frivolous use of material, the Commission should not be expected to concern itself with whether it considers a particular project desirable or even workable. That decision should be left solely and exclusively to the applicant. I would prefer running the risk of wasting some nuclear material, to requiring new ideas to run the gauntlet of administrative value judgments. The history of industrial progress records innumerable instances where no one except an inventor and a very small group of backers had faith in a particular project. Industrial progress would certainly have been very much slower if an official Government determination that the idea is practical or desirable had been a condition precedent to the introduction of new ideas.

Licensees' Rights

We recognize, of course, that the Commission will almost certainly play an active role of its own in the development of reactors and other facilities with commercial applications. It may conduct such work in its own laboratories. As you know, the Commission now owns almost all the important laboratories, and there has not been time for industry to provide its own. We do not question in any way the right and obligation of the Commission, when spending its own funds in this way, to determine very carefully what it considers worth doing. Similarly, if the Commission plans to give financial assistance to private companies, it clearly has the right and obligation to determine the most productive way of spending its money. A sharp distinction should, however, be drawn between the Commission's responsibilities in conducting its own program and its responsibilities under the licensing system. Licensees should not simply be treated as a slightly different breed of contractors. We should recognize the basic fact that the licensee has the right to make his own decisions, and that he must be given some elbow room. It is true, of course, that licensees may be dependent in many respects on the Commission. The need for classified information and nuclear material are just two examples. If these limitations on the independence of licensees are used as a means for attaching even further strings, then the basic purpose of the licensing system may well be defeated.

In addition to the broad powers over entry into the industry—by granting or withholding licenses, classified information, or nuclear material — the statute gives the Commission additional broad powers over the conduct of licensees after entry has been granted. This includes the power to prescribe terms and conditions, as well as to suspend or revoke licenses. Under the law the Commission has very considerable discretion in the exercise of these powers. Industry has an obligation to work with the AEC to fashion a licensing system which will not turn out to be the contracting system with a new label.

Additional Factors

In addition to the two major problems which I have just discussed, I would like to call your attention briefly to a number of specific factors which in our opinion may have a critical bearing on the growth of the atomic energy industry. We raised practically all of these points in our testimony, and supplementary statements last year. Most of them affect, in one manner or another, the stability of atomic investments. In mentioning these specific factors now I do not mean to suggest that they will all necessarily prove to be obstacles to atomic development. I cite them primarily as matters to which attention should now be directed to prevent obstacles from arising. It should also be recognized that there might be an adverse effect on atomic development arising from the cumulative effect of these possible impediments.

(1) Continuing Availability of Materials

The continued operation of a licensee's business may well depend on a continued supply of special nuclear material. Since the licensee cannot obtain these materials from any other source, it is very important that the AEC establish firm policies for the issuance of materials. For some uses a single allocation of materials may be sufficient. For others it may well be necessary to allocate additional material periodically. For this latter category it is important that the Commission make long-term material supply commitments.

Failure to do so may operate as a serious obstacle to private investment. Few investors can be expected to risk their money in a venture which depends on a continuing supply of a material obtainable from only a single source, if that sole supplier does not give firm assurances of a dependable supply.

(2) Prices of Special Nuclear Materials

A similar problem is raised by the price which the Commission will pay for special nuclear material. Here, too, the problem is caused by the fact that members of the industry must deal with a single customer. The Commission is the only place where a producer of special nuclear material can dispose of his products. While the Act requires the Commission to acquire special nuclear material, the Commission has considerable discretion over prices. Most investors will probably be reluctant to expend substantial funds in a facility which will produce special material either as a main or as a by-product, unless they have enough information to calculate the return on their production of special nuclear material. Section 56 of the Act authorizes the Commission to establish guaranteed prices for a maximum period of seven years. This appears to us to be too short a period. A substantial portion of the seven years may well be used up in the construction of the facilities, leaving only three or four years during the period of actual production of special nuclear material.

One of the most important administrative actions taken by the Commission since the passage of the new Act is the establishment of pricing schedules for special nuclear materials. As you know, at the present time these pricing schedules are classified, and, therefore, cannot be discussed in detail here. I believe, personally, that the pricing schedules should be made freely available. Knowledge of prices is one of the most important facts necessary to an evaluation of whether to enter the atomic business.

In addition to the actual prices, it would be helpful if the Commission could reveal the bases of its price determinations. In order to plan effectively, industry should be able to estimate, at least approximately, the course of future price movements. Some assurance against what might otherwise appear to be arbitrary price fluctuations is very important.

I should like also to stress the fact that price may be a very important determinant in reactor technology. The prices which the AEC sets may well shape the whole course of work undertaken by industry; for the prices almost certainly will have the effect of fostering certain kinds of technology and types of reactors and conversely of discouraging work in other areas. I gather that one of the assumptions in the present pricing schedules is to discourage industry work on types of reactors which maximize the production of special nuclear material for weapons use. Changes in Government assumptions with resultant price changes obviously could have a serious effect on the plans of industry based upon outmoded assumptions.

I recognize that there are difficult security considerations involved here. But I do believe that a lack of information and understanding on the part of industry regarding AEC price assumptions could prove to be an impediment to the growth of the industry.

(3) The Power to Revoke Licenses and to Recall Materials

Another possible threat to the stability of atomic investments is the power to suspend and revoke licenses, as well as to recall special material. We do not question the necessity of a reserved power in the hands of the Commission. However, we strongly urge the establishment of clear and unambiguous standards and procedures for the exercise of these powers. The problem here is similar to those previously mentioned: investors must be given a sufficiently clear idea of the rules of the game to be able to assess their risks.

(4) Insurance

My fourth point relates to stability of investments in a very direct and literal manner. I am concerned about the present inability to obtain adequate insurance for atomic risks. A continued inability to obtain insurance might well prove to be a very significant impediment to widespread and rapid development for it may be a serious barrier to adequate financing. In our opinion this a problem of very great importance. We do not know what the proper solution may be. However, we are confident that the atomic energy industry, the insurance industry, and the Government, working together, can solve this problem. I would like to recommend that your Committee actively study the problem and invite representatives of the insurance industry to present their views.

(5) Patents

It is too early to be able to evaluate clearly the effect of the patent provisions of the new Act. We believe, however, that, at a minimum, the meaning of Section 152 should be clarified, particularly with respect to what is intended to be included under the category of inventions "made or conceived under any contract, subcontract, arrangement or other relationship with the Commission." The basic problem arising under Section 152 concerns what type of cooperative undertaking between industry and the AEC may be considered to be an "arrangement or other relationship" under Section 152, so that a company may be deprived of the right to patent its inventions. Industry should know in advance what kind of relationship with the AEC will place an invention within the scope of Section 152.

(6) Atomic Activities Outside the United States

I do not need to point out to your Committee that the atomic business is developing on an international and not merely a national scale. A world-wide market for atomic facilities and equipment may be emerging. Section 57(a) (3) of the Act raises doubts about the extent to which American companies can engage in atomic activities outside the United States. That section makes it unlawful to engage "directly or *indirectly*" in the production of special nuclear material outside of the United States except upon authorization by the Commission.

We recommend that there be a clear statement of the activities which American companies will be permitted to carry on abroad. Perhaps certain activities can receive general AEC authorization thus eliminating the requirement of specific determination. It should be made clear that Section 57(a) (3) does not require individual authorization and determination by the Commission for each activity that a company may wish to carry on. If that were required, American companies might be placed under a serious handicap in competing abroad. It is certainly in the national interest to enable American companies to play an active role in a world market for atomic equipment.

I have read the recent, very interesting report filed by this Committee's Raw Materials Subcommittee containing a discussion of its visits to many countries throughout the world. I believe that the world-wide interest in atomic energy is so important to this country as to merit the special attention of this Committee. Perhaps you would consider the establishment of a Special Subcommittee to study this whole problem. One particular point which I believe could appropriately be examined is the degree and extent to which information is freely available in foreign countries as compared with that available in this country.

(7) Licensing of Component Parts

In the emergence of the licensing system some problems may arise regarding the extent of control which is required over the manufacture of atomic equipment. The terms "production facility" and "utilization facility" are both defined so as to include "any important component part especially designed for such equipment or device as determined by the Commission." Section 109 entitled "Component Parts of Facilities" authorizes the Commission to issue general licenses for component parts if it determines that general licensing will not constitute an unreasonable risk to the common defense and security. We hope very much that the coverage of the licensing system can be limited so as to have the smallest possible effect on the manufacture of component parts. Most, if not all, component parts probably do not need to be subject to the licensing system at all. Since the operation and construction of the end product—the actual facility—is subject to careful regulation, it does not seem necessary to establish separate control over the manufacture of parts.

Conclusion

In conclusion, I would like to thank you for your courtesy in letting me express myself at such length. I hope that when you again survey the state of the atomic energy business many of the problems I raised will be well on the road to solution. My emphasis today on problems should not be interpreted to mean that General Electric is discouraged or pessimistic about the future. The problems are admittedly difficult and we are fully aware of the immense burden under which the Commission is now laboring. We recognize—as we pointed out last year—that the job of developing a smoothly functioning regulatory structure cannot be done at one stroke. The important thing now is that the problems be recognized, the issues faced up to and discussed publicly, and the solutions explored and reached.

PDM Co. Opens

The PDM Company is engaging in a securities business from offices at 350 Fifth Avenue, New York City. Ezra K. Zilkha is a principal of the firm.

Columbia Secs. Branch

GRAND JUNCTION, Colo.—Columbia Securities Company has opened a branch office at 354 Main Street under the management of E. S. Bannerman.

New R. S. Dickson Branch

ASHEVILLE, N. C.—R. S. Dickson & Company, Incorporated, has opened a branch office in the Battery Park Hotel under the direction of J. Weaver Kirkpatrick.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert F. Kent has become connected with E. F. Hutton & Company, 623 South Spring Street.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William G. Barbour has become associated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

With L. F. Rothschild

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Benjamin K. Landeck and Benjamin F. Leventhal have become associated with the firm as registered representatives. Mr. Landeck was formerly with Neuberger & Berman.

John R. Huhn, Jr.

John R. Huhn, Jr., members of the Board of Governors of the Philadelphia-Baltimore Stock Exchange and Executive Vice-President of the Stock Clearing Corporation of Philadelphia passed away on April 8. Mr. Huhn had been a member of the Philadelphia Exchange since 1932.

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The State of Trade and Industry

mark; the comparable 1954 milestone was not reached until June 3.

The past week's car assembly, meanwhile, is placed at only 1.1% under the peak 178,068 units reached in the week ended March 26, 1955 and is the fourth-highest weekly car turnout in history. Car manufacture for the year at approximately 2,519,305 units is running 47% above last year, or 806,162 units higher.

Canadian production also was pegged at record levels last week or some 20% above the preceding week's output.

Steel Output Set 0.9 of a Point Higher at 95.5% of Capacity This Week

We can have high steel production in this country without a shooting war, says "Steel," the weekly magazine of metalworking, the current week.

That, it notes, is being demonstrated now. Steel ingot output in the week ended April 17 was 95.5% of capacity. Another half point would give a yield equal to the record of 2,324,000 net tons set in the week ended March 29, 1953, during the Korean war.

To turn out the above tonnage for that week in 1953, the steel industry had to operate at 103% of capacity. Capacity has continued to increase and presently can be produced at a 96% rate. At 95.5% of capacity in the week ended April 17, the industry poured 2,304,680 net tons of steel the highest since the record 2,324,000 tons in 1953.

In registering 95.5% in the week ended April 17, the rate rose half a point over the level that prevailed in the preceding two weeks. That marked the first period this year that the ingot rate did not rise each week.

Although we're not in a shooting war, states "Steel," all the steel is not going to civilian uses. About 10% is winding up in defense uses.

The gain in civilian business, however, is the cause for the high steel production. Among the reasons for it are the expanding population, high output of automobiles, high rate of construction, need to increase steel inventories in line with higher consumption rates and some stockpiling in anticipation of a steel price rise, declares this trade magazine.

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 95.5% of capacity for the week beginning April 18, 1955, equivalent to 2,305,000 tons of ingots and steel for castings as compared with 94.6% (revised) and 2,284,000 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 93.7% and production 2,262,000 tons. A year ago the actual weekly production was placed at 1,636,000 tons or 68.6%. 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 Continues Downward Trend the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 16, 1955, was estimated at 9,602,000,000 kwh., according to the Edison Electric Institute.

This week's output declined 31,000,000 kwh. below that of the previous week, when the actual output stood at 9,633,000 kwh., it increased 1,257,000,000 kwh., or 15.1% above the comparable 1954 week and 1,489,000,000 kwh. over the like week in 1953.

Car Loadings Continued to Be Affected by Labor Trouble But Showed a Gain of 0.7% Above Week Before

Loadings of revenue freight for the week ended April 9, 1955, which was affected by a continuation of labor trouble on several railroads in the Southern District, increased 4,403 cars, or 0.7% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended April 9, 1955, totaled 663,462 cars, an increase of 56,672 cars, or 9.3% above the corresponding 1954 week, but a decrease of 57,677 cars, or 8% below the corresponding week in 1953.

U. S. Automotive Output Advanced 5% Above the Preceding Week

The automobile industry for the latest week ended April 15, 1955, according to "Ward's Automotive Reports," assembled an estimated 176,085 cars, compared with 168,002 (revised) in the previous week. The past week's production total of cars and trucks amounted to 206,458 units, an increase above the preceding week's output of 10,047 units or 5%, states "Ward's." Last week's car output rose above that of the previous week by 8,083 cars and truck output by 1,964 vehicles during the week. In the corresponding week last year 118,486 cars were assembled.

Last week, the agency reported there were 30,373 trucks made in the United States. This compared with 28,409 in the previous week and 21,138 a year ago.

Canadian output last week was placed at 10,402 cars and 2,425 trucks. In the previous week Dominion plants built 8,552 cars and 2,126 trucks, and for the comparable 1954 week 7,159 cars and 1,776 trucks.

Business Failures Declined the Past Week But Exceeded Those For Like Period in 1954

Commercial and industrial failures dipped to 204 in the week ended April 14 from 211 in the preceding week, according to Dun & Bradstreet, Inc. Despite this decrease, however, casualties were heavier than a year ago when 198 occurred or in 1953 when the toll was 165. Mortality remained 35% below the pre-war level of 313 in the similar week of 1939.

All of the decline was concentrated among failures with liabilities of $5,000 or more, which dipped to 166 from 174 last week and 168 in the comparable week of 1954. Meanwhile, small casualties, under $5,000 edged up to 38 from 37 and exceeded the 30 of this size recorded a year ago. Eleven businesses succumbed with liabilities above $100,000 as against 18 in the previous week.

Wholesale Food Price Index Reacts From 17 Month Low of Week Ended April 5th

Reversing its downward movement, the Dun & Bradstreet wholesale food price index advanced to $6.54 on April 12, from the 17-month low of $6.49 recorded the week before. The current index represents a drop of 11.0% from the comparable year-ago figure of $7.35.

Aiding in the week's rise were higher wholesale costs for flour, oats, barley, hams, bellies, lard, cottonseed oil, cocoa, steers, hogs and lambs. Lower in price were wheat, corn, rye, beef, butter and currants.

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 a A Slight Gain Over the Prior Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., held at a slightly higher level last week. The index closed at 275.26 on April 12, as compared with 274.06 a week earlier and with 276.53 on the corresponding date a year ago.

The April report of the Crop Reporting Board of the Department of Agriculture issued at the close of trading on Monday, put this years Winter wheat yield at 662,200,000 bushels, as compared with 790,700,000 bushels last year, and a ten-year average of 867,300,000 bushels.

Feed demand for oats was fairly good as a result of recent cold weather. Trading in grain and soybean futures declined sharply. Daily average purchases on the Chicago Board of Trade totalled 34,600,000 bushels against 42,100,000 the previous week and 52,700,000 a year ago.

Bookings of Spring wheat bakery flour showed considerable improvement last week as some mills granted moderate price concessions and offered protection against a price upturn. Buying of other flours remained slow although shipping directions on hard wheat bakery and family flours were better. Trends in cocoa were mixed with final prices slightly higher than a week ago. A somewhat firmer London market and some trade buying were steadying influences. Warehouse stocks of cocoa declined slightly to 161,392 bags, from 163,246 a week earlier and compared with 106,923 bags a year ago.

Coffee prices were fairly steady reflecting further efforts by Brazil and other producing countries to help stabilize the market.

Spot cotton prices were irregular and lower for the week. A late downward trend was prompted largely by scattered liquidation and hedging which met with little trade support.

Domestic mill and export buying was confined mostly to small lots for prompt and nearby shipment.

Sales of the staple in the fourteen markets were reported at 70,500 bales, against 73,100 a week earlier, and 64,200 two weeks previous. CCC loan entries of 1954-crop cotton during the week ended April 1 totaled 11,700 bales, and repayments were 15,400 bales, leaving loans outstanding on 1,818,400 bales.

Trade Volume Unchanged From Previous Week But Slightly Above Year Ago

Easter shopping and widespread response to post-holiday promotions in the period ended on Wednesday of last week lifted retail sales slightly above the level of the similar week in 1954.

Consumers bought about as much as during the preceding week of this year, spending heavily for apparel, food and automobiles.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 1 to 5% above a year ago. Regional estimates varied from the corresponding 1954 levels by the following percentages: East —1 to —5; New England —2 to +2; Pacific Coast 0 to +4; South +3 to +7; Midwest and Southwest +4 to +8 and Northwest +6 to +10.

While total apparel purchases were heavier than last year, some retailers reported that women's wear did not sell as well as had been expected. Dresses, coats, suits and accessories were among the more popular items. Children's clothing was in heavy demand and men's charcoal-brown flannel suits were very popular. Haberdashery sales were much greater than a year ago.

New and used automobiles continued to sell well, and, while dealers' stocks were large, consumers' interest in future buying seemed strong

Department store sales on a country wide basis as taken from the Federal Reserve Board's index for the week ended April 9, 1955, advanced 8% from the like period last year. In the preceding week April 2, 1955, a rise of 11% was registered from that of the similar period of 1954, while for the four weeks ended April 9, 1955, an increase of 9% was recorded. For the period Jan. 1, 1955 to April 9, 1955, a gain of 7% was registered above that of 1954.

Retail trade in New York City the past week, according to trade observers declined as much as 15% below the like week a year ago, due to wet weather.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 9, 1955, declined 1% below that of the like period of last year. In the preceding week, April 2, 1955, a gain of 6% was recorded. For the four weeks ending April 9, 1955, an increase of 3% occurred. For the period Jan. 1, 1955 to April 9, 1955 the index advanced 2% from that of 1954.

White, Weld Group Offers Utility Bonds

An underwriting group headed by White, Weld & Co. on April 13 offered for public sale $50,000,000 of Philadelphia Electric Co. new first and refunding mortgage bonds, 3⅛% series due 1985. The bonds were priced at 100.095% and accrued interest to yield 3.12% to maturity. The issue was awarded at competitive sale on April 18.

Proceeds of the sale will be used by the company partly for its construction program and to redeem the entire $30,000,000 issue of first and refunding mortgage 3⅞% bonds due 1983 at 105.3% on or about June 1, 1955.

The company's construction expenditures are estimated at $312,000,000 for the five-year period 1955-1959, of which $250,000,000 is for electric facilities and the balance for gas, steam and general facilities. To complete this program it is estimated that approximately $86,000,000 of additional funds will be required from the sale of new securities over the next several years, the balance to come from internal sources.

The new bonds are redeemable at 105% if redeemed during the five-year period ending March 31, 1960 and thereafter at prices decreasing to the principal amount after March 31, 1984.

Philadelphia Electric Co. supplies electric service to an area in southeastern Pennsylvania, including the City of Philadelphia, with a population of about 3,250,000. Gas service is supplied to a population of about 1,000,000 in an area adjacent to, but not including, Philadelphia. For the 12 months ended Feb. 28, 1955 the company reported total operating revenues of $198,676,000 and gross income before income deductions of $39,345,000.

With Hemphill, Noyes

ALTOONA, Pa. — Hemphill, Noyes & Co., members of the New York Stock Exchange, has announced that Louis Cunningham has joined the firm as a registered representative in their Altoona, Pa. office, 1104 12th Street.

Mr. Cunningham has been associated with Hornblower & Weeks, and prior to that was with Janney & Co., as a registered representative.

Joins F. I. du Pont Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Arthur C. Hoelck, Herbert C. Hudgins, Wallace H. Matlock, John R. O'Shea and John C. Smith have become associated with Francis I. du Pont & Co., 677 South Figueroa Street. Mr. Hoelck was formerly with First California Company; Mr. Hudgins and Mr. Smith were with Fewel & Co.

Murdock Director

G. Donald Murdoch of Dempsey-Tegeler & Co., Los Angeles, California, has been elected to the Board of Directors of Topp Industries, Inc. The announcement was made by B. F. Gira, President.

Mr. Murdoch, who serves on the Board of Directors of Braniff International Airways, Inc., is prominent in investment banking and aviation circles.

FIF Adds to Staff

(Special to The Financial Chronicle)

DENVER, Colo. — Warner M. Frye has joined the staff of FIF Management Corp., 444 Sherman Street.

Alex Goldstein

Alex Goldstein, partner in Harry J. Lipman & Co. passed away April 11.

Fund Marketing Is Example For Others

Marketing mutual funds is bringing about a revolution in the integration of merchandising techniques that may well be copied by other consumer products with low promotion budgets.

Eugene J. Habas, Vice-President of Hugh W. Long and Company, Inc., has called attention to the similarity of his marketing of funds which are limited in their advertising to that of new products which cannot afford rising media costs.

Mr. Habas told members of the Industrial Advertising Association of New York this past week that Fund advertising is limited by law to a brief descriptive phrase.

"As a result," he said, "our marketing staff has to place its emphasis on the development of ingenious merchandising methods at the dealer level. The most important of these is a constant flow of new promotion ideas and consumer literature.

"Advertising can be counted on for building the fund name only," Habas stated, "while the brunt of the product marketing is at the point of sale."

Hugh W. Long and Company underwrites four mutual funds, the largest of which is Fundamental Investors, Inc. Net assets for this one Fund alone grew more than $100 million in one year. Currently 60,000 shareholders have more than $250 million of their money in the Fund.

Fundamental Investors, for example, is sold through about 2,000 investment firms, the retailers for the industry. During a year, the Long Company will send the dealers over two million pieces of sales literature.

Though there are rigid limitations placed on the contents of fund sales literature, the restrictions only encourage greater originality of sales approaches. Some of the typical pieces of literature outline retirement plans, creation of estates, building funds for college educations for the youngsters. A favorite with the dealers has been a promotion piece based on an 1834 Delmonico menu which spells out the need for investment to meet the rising trend in living costs.

Mr. Habas stated that company-dealer relations was one of the most important aspects of their marketing program. Field sales representatives make regular calls on dealers assisting them with local sales problems and explaining the sales points in the Fund's literature. The home office sales organization also makes field visits to dealers.

Selling mutual funds differs greatly from other consumer products. The distributors as individuals must maintain a professional relationship with the clients which reflects the trust and confidence needed of anyone handling money.

Two Oil Companies Add National's Fund To Savings Plan List

Socony-Vacuum Oil Company and American Oil Company have included National Speculative Series among their list of eligible investments for their Employees Savings Plans, according to E. Waln Hare, Vice-President of National Securities & Research Corporation. Speculative Series now joins National Stock Series and National Income Series which previously had qualified as accepted investments under both plans.

DELAWARE FUND'S net assets rose $9,317,192, or 52% in the 12 months ended March 31, 1955 to $27,125,277, or $21.30 a share, on that date, from $17,808,085, equal to $16.94 a share, on March 31, 1954.

Equitable Offering Doubles Fund Size in Month

Shares of the Atomic Development Mutual Fund went on sale Monday, after the successful completion of an underwriting of 1,250,000 shares of stock.

The underwriting added 17,000 new shareholders and increased the fund's net asset value more than $16,000,000. Total net asset value now exceeds $37,000,000, and there are 38,000 stockholders.

The 30-day underwriting, completed Friday, was managed by Equitable Securities Corp. and more than 150 associated firms. Sales were suspended during the underwriting except through members of the underwriting syndicate.

Newton I. Steers, Jr., President of the fund, said its directors and advisers have completed plans for investing the proceeds from the underwriting. Although the bulk of the funds will be invested in the common stocks of established companies, Steers said the fund would consider sharing in the financing of new ventures in the atomic field, either by stock or debenture purchase.

The fund currently owns securities of more than 90 companies. Present investments are divided as follows: 47.5% in raw materials, including uranium, beryllium, lithium, thorium and zirconium; 8.3% in radioactive materials and radiation instruments; 6.4% in suppliers of special equipment and services; 4.8% in Atomic Energy Commission operating contractors; 9% in application of atomic power; and 11.2% in diversified atomic activities.

Steers said the fund's directors decided on the underwriting to provide an investment reservoir in view of the rapid development of peacetime atomic energy. "Developments are coming far faster than anyone anticipated," he said, "and we feel that an outstanding investment opportunity exists at this time." Moreover, Steers continued, the fund can contribute to atomic energy development by providing needed financing.

THE DIRECTORS of Boston Fund have declared a stock dividend of 100%, to shareholders of record at the close of business on April 29, 1955.

In effect a two-for-one split, this dividend will give each shareholder one additional share for each share now held. It is expected that certificates for the additional shares will be mailed to shareholders on May 26, 1955.

Mutual Funds

By ROBERT R. RICH

WELLINGTON FUND added about $100 million in resources in the 12 months ended March 31, last. Total net assets at the close of the first quarter of 1955 amounted to $419,842,276, equal to $25.04 a share on the 16,764,073 shares then outstanding. This compares with $311,265,028, or $21.22 a share on the 14,667,330 shares outstanding on March 31, 1954.

NET ASSETS of Chemical Fund, Inc. at March 31, 1955 were $81,751,690, the highest ever reported at the end of a quarter, according to the company's quarterly report. The assets were equal to $27.64 per share and compared with net assets of $60,-122,198, equal to $21.05 per share on March 31, 1954. The fund had 2,957,176 shares of capital stock outstanding at the end of the first quarter compared with 2,855,570 a year ago.

NET ASSETS of the four mutual funds in the United Funds, Inc. group March 31 reached a new high of $212,715,050, an increase of $82,366,043 over a year ago and up $5,327,310 from Dec. 31, 1954, Cameron K. Reed, President, announced.

Net assets of United Income Fund shares March 31 were $116,-546,955, compared with $82,880,-244 a year earlier.

Net assets of United Accumulative Fund shares aggregated $55,-861,933 against $26,536,553 a year earlier.

Net assets of United Science Fund shares amounted to $25,-160,484 against $16,674,319.

Net assets of United Continental Fund shares were $15,145,680 against $4,257,891.

Total sales for the first quarter were the largest ever for any like period, Mr. Reed said. The sharpest growth was in United Continental Fund, which reported sales of $3,369,410, against $579,-207 in the same 1954 period.

In dollar volume, the United Accumulative Fund sales showed the largest gain, rising from $2,-728,383 in the 1954 quarter to $5,717,874, this year. Total sales of the four funds amounted to $13,699,686, against $7,433,936 in the 1954 quarter.

Television-Electronics Fund reported today gross sales of shares in the first quarter of the calendar year 1955 amounted to $17,-805,699 as compared with sales of $1,767,052 in the like period last year.

The fund's total net assets on March 31, last, were $92,624,483, equal to $11.30 a share compared with $36,491,226, or $7.80 a share, on the same date a year ago.

TOTAL NET assets of Texas Fund on Feb. 28 were $21,879,824, compared with $16,614,077 on Aug. 31, 1954 and with $13,865,950 at the end of February a year ago.

Net asset value per share on Feb. 28, 1955 was $7.19, against $6.06 on Aug. 31, 1954, and $5.47 on Feb. 28, 1954.

Included in the total net asset figure on Feb. 28, 1955 was $6,526,212 in unrealized capital gains.

WHITEHALL FUND, INC. reports that the asset value of each of its shares reached $23.71 on March 31, 1955, up from $22.80 on Dec. 31, 1954. The figure represented a gain of 23% over March 31, 1954, taking into account the December

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'Farm Revolution' Analyzed By Calvin Bullock

Chemical fertilizers have brought about a 15-year "revolution on the farm" which, despite current problems of over-capacity, points to a continuing long-term increase in crop yields and an accompanying period of growth for the fertilizer industry, according to an analysis by the investment management department of Calvin Bullock.

By 1940, the analysis states, "American agriculture had about reached the point where future population growth had to be met either by bringing new land into cultivation — a difficult and expensive process—or by increasing crop yields."

The accelerated development of chemical fertilizers "enabled agriculture to increase its crop yields in order to meet the demand of the war and postwar periods which increased not only because of population growth, but also by reason of greater per capita consumption made possible by higher personal income."

The combined effectiveness of farm mechanization and the increased use of fertilizers since 1940, have improved farm efficiency. This has resulted in a drop in par capita acreage requirements from 2.03 to 1.86 acres and, "one farm worker now takes care of 18 persons as compared with 10 persons in 1940."

The rapid development of nitrogen, phosphorous and potassium as fertilizers is based on the ability of these elements, when introduced into the soil, to replenish their natural depletion and, when added at a greater rate, to increase crop yields.

Of the three elements, nitrogen, synthetically produced in the form of ammonia from natural gas in a process developed during World War II, has proved to be the most spectacular. From production of 419,000 tons in 1940 the industry's capacity at year-end 1954 had risen to 2,800,000 tons, some 700,000 tons in excess of the probable demand for the year ended June 30, 1955.

This overproduction plus the growing rate of competition in the industry threatens a sizable surplus capacity, the study notes, with a consequent "period of marked price weakness." This condition, however, the study observes, will have no effect on "the excellent long-term growth prospects of nitrogen."

Overcapacity in phosphorous "does not appear as potentially serious as in the synthetic nitrogen industry since no major increase in phosphate facilities is expected in the near future, at least," the study points out.

Potassium continues in a sound supply position and recent discoveries "have uncovered sufficient domestic potash reserves to last about 100 years at current rates of production," according to the publication. The industry, however, is subject to some potential jeopardy from foreign imports.

Population growth has finally caught up with our land resources, and, the study concludes, despite overcapacity in nitrogen and potassium for the next several years, the long-term prospect of fertilizers "promises to make any current condition of supply a temporary phase in the industry's growth."

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EC Powers Limited to Preserving Free and Unmanipulated Market

r the effective operation of the curities laws.

I

Requirements for Disclosure

Registrations of new issues of curities, of securities for listing a national securities exchange, investment companies, of public ility holding companies, of the changes themselves, of brokers d dealers, of investment advis-s, and of national securities as-ciations, all involve the making disclosures designed to provide formation to the public inves-r. These registration statements e supplemented by periodic re-orts. The requirements for proxy licitation material are require-ents for disclosure, as are re-orts on security holdings by offi-rs, directors, and large (more an 10% of an outstanding class) ockholders.

The duty to disclose is the duty the issuer or the controlling ockholder, the underwriter, the oker, the dealer, the officer or rector, the exchange or the as-ciation; and the responsibility, oth criminal and civil, for the curacy of the disclosure is his. The Commission's duty in re-ect of the disclosure require-ents is administrative. The Com-ission does not audit the ac-racy of disclosure, and, indeed is unlawful to represent to a ospective purchaser of a securi- that the Commission has passed pon the accuracy or complete-ess of a statement or report filed ith it. The Commission examines ch material to see if it is insuf-cient on its face. If so, it sug-ests changes, and failing to get em, it may exercise administra-ve discipline or go into the Fed-al court for an injunction.

Requirements for disclosure present the basic policy of the curities laws. The existence of ese requirements has increased ailable information on most of ur publicly held corporations, d has improved standards, ac-unting and otherwise, for cor-orate reporting. The disclosures re made for the benefit of inves-rs and, basically, it is the re-ponsibility of the investors them-lves, and of those in the securi-es business who advise them, to e that the benefits from disclos-re are made available and used practice as well as in theory.

II

Prohibition of Certain Unlawful Acts

Each of the several statutes ontains prohibitions. Some prac-ices, specifically described in the ws, are forbidden. In other cases e statutes forbid practices in iolation of rules and regulations hich the Commission may adopt. or example, there are specific rohibitions against fraud and isrepresentation in the offer and le of securities,[3] and specific rohibitions against manipulation f prices on an exchange through ash sales, matched orders or ther specified devices.[4] In addi-ion to the express prohibitions gainst manipulation described bove, there are also provisions aking it unlawful to use manip-lative devices as defined by the ommission.[5] In the field of sta-ilization of securities prices on xchanges, activities in contraven-ion of rules of the Commission re similarly forbidden.[6]

These prohibitions operate on the individual or organization like any other legal prohibitions. Their violation may lead to administrative discipline by the Commission in some cases, such as revocation of the registration of a broker or dealer (i.e. putting him out of business), or to injunctive or criminal proceedings in the courts. Basically, however, the efficacy of these prohibitions, like all prohibitory laws, depends in great measure on the disposition of people to obey the law.

III

Civil and Criminal Liabilities And Penalties

Each of the Acts administered by the Commission provides that willful violations may be punished criminally. The same is true of willful violations of some of the Commission's rules adopted under the Acts. The Commission is also authorized to seek injunctions against persons violating the Acts or rules, and it has been held that in some circumstances an aggrieved party may likewise seek an injunction against the violator. In addition there are provisions for civil liability, for example, to parties aggrieved by fraud or by manipulation, or to parties to whom unregistered securities were sold. In some cases the courts have imposed civil liability for violations even when there is no express statutory provision for legal actions by private parties.

Criminal penalties and civil liabilities are imposed by the courts and not by the Commission. The Commission investigates violations, goes to the courts to restrain their continuance and refers violations to the Department of Justice for criminal prosecution. Civil liabilities are imposed in private litigation to which the Commission is not a party. The Commission does not ordinarily participate in such private litigation except when the Commission's participation is necessary to protect the public interest or to aid the courts in matters of interpretation of the securities acts.

IV

The Exercise of Administrative And Regulatory Powers by the Commission

The Securities Exchange Act of 1934 created the Commission and gave it numerous powers. It can prescribe certain duties and liabilities in detail by use of its rule-making power, and the rules may create criminal and civil liabilities. The rule-making power, for example, covers the definition of manipulative practices and practices in connection with stabilization of prices of securities. The Commission has powers to exempt certain transactions or types of transactions from the operation of statutory prohibitions. It has powers to prescribe certain types of administrative discipline such as delisting of stocks, or denial or revocation of a broker's or dealer's registration. It has investigative powers and may refer cases to the Department of Justice for criminal prosecution and it may seek injunctions. It reviews many statements and reports filed with it to determine whether on their face such statements meet the disclosure requirements.

The efficacy of the Commission's administration, of course, is dependent upon the wisdom with which the Commission, aided by its staff, exercises these broad powers and responsibilities. Rules must not only be theoretically sound but they must be understandable and capable of enforcement. There is always a question of proper balance between the perfect and the practicable, between the reasonably certain and the unreasonably rigid. There are continuing problems of drawing and revising rules to close loopholes which the ingenious seek to discover. It must be borne in mind that abuses which subtly creep into business transactions are frequently in the nature of unfair practices, over-reaching, informal collusive action, activities not in accordance with just and equitable principles of trade. The line between the unethical and the illegal is sometimes hard to draw. In many areas, the Commission's rule-making power involves drawing such lines.

V

Self-Regulation by National Securities Exchanges and Registered Associations of Securities Dealers

Because of the fact that the maintenance of open and honest securities markets, both exchange and over-the-counter, both for original issue and for trading, depends upon the application of just and equitable principles of trade, the Congress in the Securities Exchange Act recognized and accorded legal status to securities exchanges and to registered associations of securities dealers. The Commission has certain powers of review over the rules of the exchanges and over the rules and disciplinary proceedings of the National Association of Securities Dealers, Inc., the one registered securities dealers association. The granting of legal status to these organizations is a legislative recognition of the public trust administered by those organizations. This discharge of the responsibility imposed on the exchanges and the NASD by that trust transcends in practical importance anything that could be accomplished by an army of investigators and inspectors which the Commission might send in but which it does not have.

I have presented this brief classification of legislative policies and the few examples of each in order to point out that the effective operation of the securities laws is dependent upon a recognition of responsibility by investors, by issuers of securities, brokers, dealers, underwriters, exchanges, associations of securities dealers, and the courts, as well as by the Commission.

Before passing on to a detailed discussion of the provisions of the Securities Exchange Act, I should like to comment on two specific problems which have been raised at the hearings of this Committee, one, the matter of institutional programs to encourage the purchase of securities, and the other the broadcasting of news about companies in a manner which excites public interest in their securities.

The government and the business community are confronted with a dilemma when they appraise any program designed to interest the general public in our capital markets. Broader public understanding of how our system of capital formation operates is clearly desirable. Thanks in considerable measure to the securities acts, more people have more reliable information about the capital markets and the securities sold therein than they had 20 years ago. One of the basic aims and accomplishments of the securities laws is dissemination of business and financial information about corporations whose securities are traded on exchanges or have been sold in the public capital markets. To draw the line between legitimately stimulating the interest of potential investors in our capital markets and improperly luring people into those markets would be a difficult legislative feat.

It is my opinion that institutional advertising for investment in the American economy—unrelated to specific securities or specific plans for purchasing securities—would be better regulated by self-control than by legislation. The principle of legislative control might be applied in other circumstances to institutional advertising appeals by labor unions, medical associations, associations of railroads, associations of cooperatives, associations of producers of commodities—such as meat or butter or oleomargarine. Rather it strikes one that these bids for public favor by groups such as these are in the American tradition and in the spirit of the First Amendment. However, an institution with the public responsibility of a national securities exchange must recognize the obligation it assumes when it undertakes a public relations campaign to influence what people do with their savings.

The Securities and Exchange Commission has adopted a statement of policy with respect to sales literature covering sales of securities of investment companies, and is in the process of reviewing a statement proposed to be issued by the New York Stock Exchange to guide its members' use of sales literature. These statements serve as a guide to indicate what types of sales literature may offend the anti-fraud provisions of the securities laws. Supplemental literature used in connection with the sale of securities of mutual funds is examined by the NASD in cooperation with the Commission. The staff also examines literature supplemental to the offering circulars used under regulations which provide an exemption from full registration. I question whether it is administratively feasible or would be legislatively wise to attempt to do more.

Members of the Committee have expressed concern during these hearings about broadcasts which have enticed people into the market. The Commission is no less concerned. However, the prohibitions of the Securities Exchange Act with respect to tips and rumors have limited operation and would not appear to include a news report as such. The inhibitions of the present securities laws are imposed on parties having an interest in the transaction or those paid by such parties. If such responsibility were imposed upon those who undertake, without such pecuniary interest, to publish information, the result might be to shut off the publication of much valuable market information presently published. The purpose and thrust of the securities acts is to disseminate information, correct information, to the public, and if legislation curbing these broadcasts had the unintended effect of drying up present legitimate news sources on securities out of a fear of liability for unintended and occasional inaccuracies, the cure would be far worse than the disease. A few demonstrably bad tips might have the effect of eliminating this source of enticement into the market. At this time and pending continuing study, I have no legislation to suggest on that subject. I call your attention to the fact that Section 17(b) of the Securities Act of 1933 attempted to deal only with paid publicity for securities.[7]

It is fair to point out, however, that institutional advertising and broadcasting are only a part of the general publicity regarding the markets. News publications about securities, advertisements by investment advisory services, and advertisements by dealers of outstanding securities not the subject of an offering registered under the Securities Act of 1933 are all available for the public to read, and this material, generally speaking, receives no advance review or routine post-publication examination by the Commission. I am not suggesting that it should. Advertising by sellers of securities is subject to the fraud provisions of the Securities Act, in some cases the mail fraud statutes, and to fraud provisions of the laws of some states. Advertising by investment advisory services may give rise to injunction proceedings by the Commission. From a practical standpoint, unless the Commission's staff were vastly enlarged, it would not be able to censor before publication or review after publication either advertising or advice.

Let me now pass on to a discussion of the specific provisions of the Securities Exchange Act with respect to specific abuses found by the Congress in 1934 and to some comments on administrative problems encountered by the Commission in carrying out its responsibilities under the Act.

(1) Laxness by the Securities Exchanges in Their Administration and in Their Control of Members.

The Securities Exchange Act requires each securities exchange to register with the Commission as a national securities exchange or to apply for the exemption which may be granted to an exchange which has a very small volume of transactions.

As a condition of registration, an exchange is required to agree to comply with the provisions of the Act and the Commission's rules and to enforce compliance therewith by its members. The rules of each exchange are required to provide for the disciplining of its members for conduct inconsistent with just and equitable principles of trade. Information pertaining to the organization, rules of procedure, trading practices and related matters is contained in the application of each exchange and is kept current.

Section 19(b) of the Act authorizes the Commission to alter or supplement the rules of a national securities exchange as to certain subjects. However, the statute contemplates substantial self-regulation by the exchanges. The Commission is not empowered to alter or supplement the rules of an exchange unless it first requests the exchange to take care of the matter and the exchange fails to do so. Each exchange reports changes in its rules to the Commission and as a matter of practice generally discusses such changes with the Commission's staff.

There is no provision in the Act expressly giving the Commission power to compel compliance by members of exchanges with exchange rules. However, since 1939 the exchanges have advised the Commission of disciplinary actions taken. The Commission has power under Section 19(a)(1) of the Act to suspend or withdraw the registration of an exchange for violation of the Act or the Commission's rules or for failure to enforce, so far as is within its power, compliance with the Act and rules by members and issuers of registered securities. The Commission has never resorted to this power. Section 19(a)(3) authorizes the Commission to suspend or expel any member or officer of a national securities exchange for violation of the Act or the Commission's rules, and the Commission has invoked this power on various occasions with respect to members.

When the Act was passed in 1934, the Commission was directed by Section 19(c) to make an investigation of the rules of national securities exchanges with respect to the classification of members, the methods of election of officers and committees to insure a fair representation of the membership, the disciplining of members, and other matters. The Commission's

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3 See Section 17(a), Securities Act.
4 See Section 9(a)(1)-(5), Securities xchange Act.
5 See Sections 10(b) and 15(c)(1), ecurities Exchange Act. *Cf.* Sections (a)(6), 9(c), 9(d) of that Act.
6 See Section 9(a)(6), Securities Ex-hange Act.

7 See House Report No. 85, 73d Congress, 1st Session, p. 24.

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SEC Powers Limited to Preserving A Free and Unmanipulated Market

report on the Government of Securities Exchanges[8] indicated that although the Congress had declared that exchanges were affected with a public interest, their governing bodies were not selected on a basis that would make them particularly responsive to the interests of public customers and made various recommendations which were suggested be put into effect by voluntary action of the exchanges themselves. Following a request by the Commission in 1937, the New York Stock Exchange revised its constitution to provide for direct representation of the public on the Board of Governors and increased representation of exchange firms doing business with the public. The administrative structure was simplified and full-time executive staffs were created to carry out, under a paid president, the administrative functions formerly conducted by the governors sitting as committee members.

Necessarily the successful operation of a statute under which enforcement of the exchange's rules is primarily the exchange's own responsibility, is dependent upon the exchange's good faith and diligence. The Annual Reports of the Commission to the Congress disclose rule changes made by the several exchanges. The discussion with the Commission or its staff which customarily precedes the adoption of a change does not preclude the Commission's subsequent exercise of its powers with respect to the exchange's rules. There is not a day-to-day type of constant surveillance of exchange activities in the sense of having Commission inspectors policing activities on the floor. The governors of an exchange have the responsibility for surveillance of trading on the floor, and the Commission's investigators move in only in connection with specific investigations.

In discharging its statutory duties under the Securities Exchange Act, the Commission relies in great measure upon the following as indications that the national securities exchanges, generally speaking, are being operated in a manner consistent with the public interest:

(1) The continued maintenance of consultation and liaison between the exchanges and the Commission;

(2) The character of the exchanges' rules and the power of the Commission with respect thereto;

(3) The fact that such rules are discussed with the staff of the Commission and on occasion with the Commission itself;

(4) The absence of public complaint;

(5) The obligation of the exchanges to require of their members compliance with the securities laws and rules of the Commission;

(6) The fact that unlawful activity on the floor of an exchange cannot easily escape the notice of others on the floor;

(7) The disciplinary powers of the exchanges, their exercise by the exchanges and the fact that such discipline may affect the livelihood and reputation of the one against whom it is imposed;

(8) The Commission's inquiries, as hereinafter described, into possible manipulations; and

(9) The requirements for, and surveillance by the exchanges of, the financial responsibility of their members.

(2) Securities Were Listed and Traded on Exchanges Without Provision for Adequate Dissemination to the Public of Information Concerning the Issuer and the Security.

The Securities Exchange Act makes it unlawful for any member, broker or dealer to effect a transaction in any security on a national securities exchange unless the security has first been registered with the Commission for trading on the exchange or is exempt from registration. The Act provides for full listing and for admission to unlisted trading privileges.

A security which is to be listed on a national securities exchange may be registered with the Commission by the issuer filing an application setting forth certain information, part specified by statute and part by Commission rule.

The Act also provides that issuers whose securities are registered for trading on a national securities exchange shall file annual and interim reports with the exchange and the Commission. The annual reports filed with the exchange and the Commission by such issuers contain information with respect to changes during the fiscal year in the information previously reported, and financial statements reflecting the issuer's operations during the fiscal year. The interim reports disclose to investors information with respect to certain major events.

The Commission's staff examines the applications and reports so filed. If it appears that the material filed fails in any material respect to meet the requirements of the Commission's rules, the staff normally writes a letter of comment to the issuer setting forth the respects in which the information is found to be deficient. Usually, these letters are sufficient to secure compliance. In a few instances the Commission has resorted to proceedings before the courts to compel compliance with applicable requirements. The Commission may also, in appropriate cases, initiate administrative proceedings under Section 19(a)(2) of the Act to suspend or withdraw the registration of a security if the Commission finds that the issuer of such security has failed to comply with any provision of the Act or the Commission's rules thereunder.

Since delisting may penalize public security holders rather that the management which is responsible for non-compliance, the Commission has used this procedure sparingly. Proceedings under this section are ordinarily discontinued upon the correction of deficiencies and the furnishing of information.

By Section 12(f) of the Act, some securities are permitted to be traded on exchanges on an "unlisted" basis; that is, without an application by the issuer for listing and registration. The application for unlisted trading is filed with the Commission by the exchange.

As originally provided by the Act, trading in securities on national securities exchanges was to be prohibited in unlisted issues after May 31, 1936. On May 27, 1936, Section 12(f) was amended to provide for three categories of unlisted trading privileges: (1) securities admitted on an exchange prior to March 1, 1934, whether or not listed on some other exchange, (2) securities already listed on some other national securities exchange, and (3) unlisted securities in cases where information and requirements are substantially equivalent to those with respect to issues listed on national securities exchanges. The Commission has adopted rules implementing these provisions.

Section 19(a)(4) of the Act authorizes the Commission summarily to suspend trading in any registered security for a period not exceeding 10 days if, in its opinion, such action is necessary or appropriate for the protection of investors and the public interest so requires. Generally speaking, when the Commission has used this power, it also invokes the application of its Rule X-15C2-2.[9] This is to prevent fraudulent or manipulative practices in connection with trading in the security on the exchange and in the over-the-counter market during the period when material information believed to be available has not yet been gathered or disseminated.

As I have reiterated throughout this statement, disclosure is the basic requirement of the various securities acts. With respect to listed securities, securities which have been registered under the Securities Act of 1933, securities of registered public utility holding companies and their subsidiaries, and securities of investment companies, the disclosure requirements provide the investor directly, and indirectly through the activities of statistical services, security analysts and the like, with a continuing flow of information in the form of original registration and periodic reports. This information contributes to the creation of a well-informed investing public and hence in the long run tends toward the fixing of realistic market prices.

To be sure, the availability of accurate information does not automatically eliminate either unreliable information or the possibility of undisclosed abuses. Neither does the availability of information provide the investor with the wisdom or the energy to determine its significance. However, the disclosure provisions of the securities acts and their administration by the Commission have been an incentive to corporate and public business morality and have been a medium for the education of the investing public.

(3) Manipulative Practices and Operations in Aid of Such Practices.

The Exchange Act prohibits "wash sales" or "matched orders" for the purpose of creating a false or misleading appearance of active trading, or a misleading market price, in any security registered on a national securities exchange. To reach intentional tampering with market prices not involving the crude device of "wash sales" and "matched orders," Section 9 prohibits any series of transactions in a security registered on a national securities exchange which creates actual or apparent active trading in the security or which raises or depresses the price of the security for the purpose of inducing the purchase or sale of the security by others. It prohibits brokers and dealers from inducing the purchase or sale of such a security by the dissemination of rumors that the price of the security is likely to rise or fall because of manipulative market operations. Persons interested in selling or purchasing such securities are also prohibited from circulating false or misleading information for the purpose of inducing others to effect transactions.

Section 10(b) of the Act makes it unlawful for any person, in connection with the purchase or sale of a security, to use any manipulative or deceptive device or contrivance in contravention of rules prescribed by the Commission. Section 15(c)(1) prohibits manipulative, deceptive and other fraudulent devices and contrivances by brokers and dealers in over-the-counter transactions and authorizes the Commission by rule to define such devices and contrivances.

Since short selling was a device which had been used to manipulate the market, Section 10(a) of the Act makes it unlawful for any person to effect a short sale of any security registered on a national securities exchange in contravention of the Commission's rules and regulations.

The Commission has adopted various rules to implement the anti-manipulative provisions of the Act. One of these, Rule X-10B-2, prohibits any person engaged in distributing a security from paying any other person for soliciting or inducing a third person to buy the security on a national securities exchange. An exemption from the prohibition of the rule is provided for those cases where the payment of compensation is made pursuant to the terms of a plan, filed by a national securities exchange and declared effective by the Commission, authorizing the payment of such compensation in connection with a distribution of securities. There are two types of such plans presently in effect. One type is the Special Offering Plan in which the securities are offered at a fixed price. The other is called an Exchange Distribution Plan, which involves an offering at the market.

Under Section 10(b) of the Act, the Commission has adopted Rule X-10B-5 which makes it unlawful for any person in connection with the purchase or sale of a security, by use of the mails, interstate commerce, or the facilities of a national securities exchange (1) to employ any device, scheme, or artifice to defraud, (2) to make any untrue statement or misleading omission of a material fact, or (3) to engage in any act, practice, or course of business which operates as a fraud or deceit upon any person. This rule has served as a basis for administrative action by the Commission and as a basis for criminal action. It has also been used as a basis for civil recovery in the courts by persons who have been induced to sell securities by fraudulent means. Under Section 15(c)(1) of the Act, the Commission has also adopted Rule X-15C1-2, which prohibits brokers and dealers from engaging in fraudulent, manipulative and deceptive devices or contrivances and making untrue statements or misleading omissions of material facts in connection with the purchase or sale of securities over-the-counter. It is principally by these rules under Sections 10(b) and 15(c)(1) of the Act, and the provisions of Section 17(a) of the Securities Act, that manipulation in the over-the-counter markets is made unlawful.

The Commission has also adopted rules under Section 15(c)(2) of the Act which prohibits brokers and dealers from engaging in fraudulent, manipulative and deceptive acts and practices, and from making fictitious quotations in connection with transactions in the over-the-counter market, and empowers the Commission, by rules and regulations. to prescribe means reasonably designed to prevent such acts, practices and fictitious quotations.

The Commission's Rule X-10A-1 relating to short selling on national securities exchanges is intended to eliminate the harmful effects of short selling without preventing its use under proper circumstances.

Sections 11(a) and (b) of the Act authorize the Commission to promulgate such rules as it deems necessary to prevent excessive trading by members on exchanges for their own accounts and to control the activities of floor traders specialists and odd-lot dealers. In addition, Section 11(b) makes it unlawful for a specialist to disclose to anyone information not available to all members of the exchange in regard to the orders on his book. This section also makes it unlawful for a specialist when acting as a broker, to effect any transaction on the exchange except upon a market or a limited price order. Section 11(b) provides that if under the rules and regulations of the Commission a specialist is permitted to act as a dealer his dealings shall be restricted so far as practicable to those reasonably necessary to permit him to maintain a fair and orderly market.

The problems encompassed within Sections 11(a) and (b) of the Act have been considered to be an appropriate subject for self-regulation by the exchanges, subject to the Commission's residual authority to alter an exchange's rules under Section 19(b) of the Act. In 1935 the Commission requested every national securities exchange to adopt certain rules including rules to meet the objectives of Sections 11(a) and (b).[10] These rules prohibit certain activities of members for their own account and severely restrict certain other such activities.

In 1945 the Commission's Division of Trading and Exchanges made a study and the Commission held a hearing on the problem of floor trading. Thereafter the exchanges agreed by exchange rule to permit floor traders to transact normal business but they were not permitted to initiate trades which might cause a disorderly market. In 1952 a further study was made, and the subject is presently under further continuing examination by the Division.

In order to carry out its duties with respect to the anti-manipulative provisions, the staff of the Commission keeps a daily watch on the news and stock tickers covering the New York and American Stock Exchanges for current information affecting market prices. Significant price movements in particular securities are considered and informal investigations into such price movements are made when there appears to be a possibility of manipulation.

The methods of investigation vary, depending upon the security involved and the market place in which it is traded. Generally, the investigation is initiated by obtaining from the appropriate source (it may be the specialist if the security is traded on an exchange), the identity of buying and selling brokers during a designated period. The names of their buying and selling customers and the amount of their transactions are obtained from these brokers. This information is analyzed to determine whether there appears to be any concentrated or deliberate effort to influence the price. If it appears justified from an analysis of the preliminary information, the buying and selling customers are interviewed. If evidence of a violation is found, a formal order of investigation may be issued by the Commission, testimony taken under oath and subpoena's issued for books and records. Although few formal orders of investigation are issued, and fewer proceedings are begun in relation to the number of inquiries conducted, it is felt that these investigations operate as a significant deterrent to manipulative activities. It is also believed that the prompt initiation of an inquiry by the Commission discourages potential manipulations.

In many discussions with the Commission numerous members of its staff, both in the headquarters office and in regional offices,

8 Document No. 85, House of Representatives, 74th Congress, 1st Session.

9 Rule X-15C2-2 prohibits broker-dealers from trading over-the-counter in a security admitted to trading on an exchange during the period that it is suspended from exchange trading under Section 19(a)(4).

10 Securities Exchange Act Release No. 179.

have expressed the opinion that, with respect to the securities markets generally, the anti-manipulative provisions of the Act are being observed and that such markets are not being manipulated in contravention of the Act. To be sure, an act of manipulation is difficult to prove. Out of hundrends of trading quizzes or informal investigations of the type described above, over the years very few manipulation cases have been brought. The opinion as to the general absence of manipulation is based in great measure on confidence in the theory that a policeman on the beat is a deterrent to law breaking. The anti-manipulative activities of the Commission are largely those of an alert policeman on the beat, who keeps his eye open for trouble spots.

The rules of the Commission and of the exchanges on subjects related to manipulation, such as the activities of specialists and floor traders, are necessarily highly technical. The Congress recognized this fact when it left the making of such rules to the Commission rather than prohibit legislatively certain activities which it found had given rise to abuses. When changes are proposed in any such rules, extensive discussions are held between the staff and the industry (whether exchange or over-the-counter), between the staff and the Commission, and among the Commission, industry representatives and the staff. The area is one in which there are wide differences among the experts.

The great difficulty of formulating rules with respect to the techniques of market activities is illustrated by the subject of stabilization. While the statute designated stabilization as a subject of rule making, it has been administered on an *ad hoc* basis without formal rules for almost 21 years.

In a report dated Dec. 30, 1952, the Committee on Interstate and Foreign Commerce of the House of Representatives recommended that: "The Commission should earnestly and expeditiously grapple with the problem of stabilization with the view either of the early promulgation of rules publicly covering these operations or of recommending to the Congress such changes in legislation as its experience and study show now to be desirable."

A program, in progress since the fall of 1953, to formulate rules is drawing to what it is hoped will be a successful conclusion.

I have no recommendations to make either for additions to, or substractions from the Commission's powers on the subject of manipulation and stabilization. I point out, however, that the inherent complexity of the subject is one which will continue to challenge the best efforts both of the Commission and of the governing authorities of exchanges and securities dealers associations.

(4) Unfair Use by Officers, Directors and Large Stockholders of Inside Information to Trade in Securities of Their Own Companies.

Section 16(a) requires that each officer and director of a corporation with equity securities registered for trading on a national securities exchange, and each 10% owner of such securities, file reports showing his holdings and any change in such holdings. These reports are available for public inspection and the Commission publishes a monthly summary of the information contained in the reports.

To prevent unfair use of inside information Section 16(b) provides that any profit realized by an officer, director or 10% stockholder from a short-swing transaction (a sale and purchase or purchase and sale within six months) is recoverable by the issuer. The right to sue for recovery of the profits inures initially to the corporation itself. If it fails to act promptly, any security holder may sue on behalf of the corporation. The Commission has adopted rules under Section 16(b) (Rules X-16B-1 to X-16B-7 inclusive) exempting certain transactions not comprehended within the purposes of the section. Section 16(c) prohibits short sales of their own company's equity securities by officers, directors and 10% stockholders. The Commission's Rules X-16C-1, 2, 3 provide certain limited exemptions.

The requirement for officers, directors and large stockholders to report their security holdings and changes therein is an effective medium both to retard trading by insiders within the six-months statutory period and to make available to stockholders knowledge that the issuer has a cause of action against the trader.

The liability provisions of Section 16(b) are enforced by the courts, not by the Commission. The Commission's problems under Section 16 have had to do largely with interpretations and with the exercise of its rule-making power to exempt transactions "not comprehended within the purpose of this subsection" and also the exercise of its rule-making power with respect to reports of holdings and changes therein. The rules on both subjects have become exceedingly complex and prolix. This matter has been under serious study during the last 18 months, and it is hoped that more understandable, but equally stringent, rules can be formulated.

(5) The Solicitation of Proxies for Use at Corporate Meetings on the Basis of Inadequate Disclosure and the Giving of Proxies by Brokers Carrying Customers' Securities in "Street" Name Without Adequate Provisions for Obtaining the Authority of the Beneficial Owners.

In a publicly held corporation ownership of stock is scattered among holders who cannot personally attend meetings and whose vote must necessarily be by proxy. A vote to continue management should be based on adequate information about the stewardship of that management. A vote on a transaction requiring stockholder approval should be based on adequate information with respect to that transaction. Persons seeking to gain control of a corporation should furnish information on themselves and their plans.

Section 14(a) of the Securities Exchange Act makes it unlawful for any person to solicit proxies with respect to securities registered on national securities exchanges in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. Similar provisions under the respective statutes apply to registered holding companies and investment companise.

The Commission has adopted rules under this section requiring in connection with proxy solicitations the disclosure of information calculated to enable the investor to act intelligently upon each separate matter with respect to which his vote or consent is sought.

Section 14 of the Act and the proxy rules issued thereunder do not compel the soliciation of proxies, nor do they vest in the Commission any authority with respect to the internal affairs of a corporation except in the areas relating to the methods and procedures for the solicitation of proxies.

The proxy statement must include information regarding the solicitors, the nominees and all other matters to be acted upon. The proxy form must provide means whereby each person solicited may indicate by ballot his approval or disapproval of each matter to be acted upon. A security holder, subject to certain limitations, may also require management to include in its proxy material any proposal made by such security holder which is a proper subject for action by security holders under the laws of the state of incorporation. In view of the difficulty of obtaining stockholders lists under the laws of some states, provision is made also to enable security holders, not allied with management, to solicit the proxies of other security holders.

Section 14(b) of the Securities Exchange Act makes it unlawful for any member of a national securities exchange or any broker or dealer who does business through such a member, to give a proxy in respect of any security registered on a national securities exchange and carried for the account of a customer, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

The major exchanges have their own rules relating to the giving of proxies by members of such exchanges. These rules cover the majority of exchange members and of securities listed on national securities exchanges. However, since the rules of some of the exchanges do not adequately govern the obligations of brokers or dealers who might give proxies with respect to listed securities carried for the account of a customer, the staff is at the present time giving consideration to rules which would further implement the authority under Section 14(b).

The proxy rules, evolved gradually, have generally worked well, although we are not satisfied with the provisions of the present rules as they apply to the problems presented by proxy contests. Effective administrative control of a proxy contest, once the story hits the newspapers and is on the air waves, presents a difficult task.

I will be glad to supply the Committee with a detailed statement as to our practices in proxy contests. I do not suggest, however, that those practices have solved the problem, nor on the other hand do I have legislation to suggest. The Commission's aim in proxy contests is to keep the fight under sufficient control so that by the time the election comes, the stockholders have had a fair presentation of both sides. Generally speaking, I think that our administrative practices have produced that result. However, the administrative handling of proxy contests involves a considerable element of hurly burly. The Commission and its staff are hopeful that further experience in proxy contests may enable it to formulate rules on the subject which will eliminate some of the present uncertainties. I might suggest that there is some analogy between a proxy contest and a political campaign. I think it is naive to suppose that struggles for corporate control will ever lose the characteristics of a fight.

(6) Certain Practices of Brokers and Dealers.

I have already referred in the discussion of the securities exchanges to their disciplinary power over their members. The Act provides safeguards for the securities and funds of a customer in the hands of his broker or dealer. Section 8(a) makes it unlawful to borrow on any non-exempted security registered on a national securities exchange except (1) from or through a member bank of the Federal Reserve System, (2) from non-member banks which have signed agreements with the Federal Reserve board to comply with the Act and other requirements or (3) in accordance with such rules and regulations as the Federal Reserve Board prescribes for certain purposes, such as emergency needs of brokers. Section 8(c) makes it unlawful for any broker or dealer subject to its requirements to hypothecate securities carried for the account of any customer in contravention of rules and regulations prescribed by the Commission. Section 8(d) makes it unlawful for a member, broker or dealer subject to its requirements to lend any customer's securities without the written consent of such customer.

The Commission's hypothecation rules generally prohibit the following practices in connection with the hypothecation of customers' securities: (a) the commingling of customers' securities without the written consent of each such customer, (b) the commingling of the firm's and customers' securities in connection with a loan to the firm and (c) subjecting customers' securities to a lien for a sum exceeding the total amount due on all securities carried for the accounts of customers.[11]

While Section 8(b) of the Act contains certain provisions intended to limit the aggregate indebtedness which members, brokers, and dealers subject to its requirements may incur, by reason of the limitations and ambiguities in the section, it has been of limited application.

The financial responsibility of members of national securities exchanges is generally undertaken to be safeguarded by requirements and audits of the exchanges rather than by action of the Commission.

Rule X-15C3-1 adopted by the Commission requires brokers and dealers who do business in the over-the-counter market and who extend credit, or carry money or securities for customers, to maintain a liquid capital equivalent to at least 5% of their aggregate indebtedness. While this rule exempts the members of certain specified securities exchanges from its requirements, such exchanges have requirements which are believed to be at least as stringent and comprehensive.

On Jan. 31, 1955, the Commission announced a proposal to amend Rule X-15C3-1 which, if adopted, should provide further safeguards with respect to the financial responsibility of brokers and dealers subject to its requirements.[12] Under the present rule in the computation of "net capital" there is deducted 10% of the market value of securities which form a part of the capital of the broker or dealer. Among other things, the proposed revision would increase this deduction to 30% in the case of all securities except undefaulted debt securities having a fixed interest rate and maturity date, as to which the deduction would be 5% unless such securities are selling at a discount of more than 5%, in which case the deduction would be determined according to a specified formula. This 30% deduction would also be applied to certain commodity future contracts, whether long or short, and to purchases on open contractual commitments.

Section 17 of the Act requires members of exchanges, brokers and dealers who transact a business through members, and registered brokers and dealers to maintain the books and records and to file the reports required by the rules and regulations of the Commission. It also authorizes the Commission to make periodic inspections of such persons.

The Commission's Rule X-17A-5 requires registered brokers and dealers, most members of national securities exchanges, and brokers and dealers who do business through members, to file a financial report during each calendar year. These reports must be certified by independent public accountants if the firm has made a practice of extending credit to customers or holding customers' funds or securities. In addition, the Commission has adopted Rules X-17A-3 and 4 which require members, brokers and dealers to maintain specified books and records, including blotters, ledgers and ledger accounts.

In 1937 the Commission initiated a program of inspection of brokers and dealers under the powers granted by Section 17 of the Act. These inspections, made by the staff of the Commission's 13 regional or branch offices, are conducted to determine whether brokers and dealers are complying with applicable requirements and to detect unlawful practices.

Section 15(a) of the Act requires brokers and dealers effecting transactions in the over-the-counter market to be registered with the Commission. Section 15(b) gives the Commission the power to deny or revoke registration of a broker or dealer if it finds that denial or revocation is in the public interest and that such broker or dealer, or any controlling or controlled person, (a) made a false or misleading statement of a material fact in any application for registration or in any proceeding before the Commission with respect to registration; or (b) has been convicted within 10 years of any felony or misdemeanor involving the purchase or sale of a security or arising out of the conduct of business as a broker or dealer; or (c) is enjoined from engaging in or continuing any conduct or practice in connection with the purchase or sale of a security; or (d) has willfully violated the Securities Act of 1933, or the Securities Exchange Act of 1934, or any rule thereunder.

The policing of the activities of more than 4,100 registered brokers and dealers throughout the country presents an administrative problem to the Commission which has not been satisfactorily solved.

Many members of the public are under the impression that brokers and dealers are inspected with pretty much the same thoroughness and regularity as banks. That is not correct. The Commission is able, under present budgets, to inspect no more than 800 per year. The calculated risk involved in this limited program is somewhat diminished by the fact that the members of most stock exchanges are inspected by their exchanges and the members of the National Association of Securities Dealers are inspected by that organization. A few of the states have inspection procedures. Financial reports are filed with the Commission by registered brokers and dealers. Most really serious violations by a broker or dealer give rise to a complaint either to the Commission or to local regulatory authorities.

While some violations of the various securities laws undoubtedly go undetected, I believe that there is not prevalent any serious wave of illegal practices by brokers and dealers. I base this confidence on:

(1) The fact that in many transactions where a customer is injured or defrauded, a violation of state law as well as Federal law is involved and the customer himself has recourse to both the state and the Federal courts;

(2) The existence of the Securities and Exchange Commission, and in many cases of a state commission, which can revoke a license or registration (i.e. put the broker-dealer out of business), is a deterrent to unlawful practices;

(3) The possibility of an inspection by one of the inspecting agencies, whether exchange, NASD, state authority or the Securities

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11 Rule X-8C-1 and X-15C2-1. The New York Stock Exchange and some of the other exchanges also have rules requiring earmarking or segregation of customers' full-paid securities and excess collateral.

12 Securities Exchange Act Release No. 5132.

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SEC Powers Limited to Preserving A Free and Unmanipulated Market

and Exchange Commission is also a deterrent to unlawful activity;

(4) The filing of financial reports gives some indication of danger spots;

(5) The news of illegal activity by one broker or dealer travels rapidly in the financial community and this fact acts as a deterrent.

Above and beyond these things, however, I think that the Committee in appraising the efficacy of the provisions pertaining to brokers and dealers must place considerable reliance on the natural disposition of most people to obey the law.

In 1938 the Congress added Section 15A to the Securities Exchange Act. This provides for the registration of "national securities associations" composed of over-the-counter brokers and dealers. The rules of such an association must be designed to promote just and equitable principles of trade, to provide safeguards against unreasonable profits and charges, and, in general, to protect investors, the public interest and a free and open market. The Commission has certain regulatory supervision over such associations, and is authorized to review their disciplinary actions and denials of membership. While only one national securities association — the National Association of Securities Dealers, Inc.—has become registered under this Act, substantially all important components of the securities industry have become members of it. Its activities have been a substantial factor in stamping out abuses in the over-the-counter market, particularly in the area of unethical activities not included among the illegal activities prescribed by the Act.

I have already commented on the importance of the self-regulatory principle in the Securities Exchange Act and on the faith that must be pinned on the successful operation of that principle. Our liaison with NASD is good. Its officers and board of governors have been cooperative.

The over-the-counter market generally presents a different set of questions than the exchange market. For example, available quotations of prices for unlisted securities do not precisely indicate the amount for which securities are being bought or sold. Companies whose securities are not listed and their officers and directors and 10% stockholders and companies which have not registered securities under the Securities Act of 1933 are not subject to the reporting requirements. The provisions for corporate recapture of insiders' short-swing trading profits and the rules regulating proxy solicitation are not applicable to unlisted companies except investment companies and companies subject to the Public Utility Holding Company Act.

Logic would indicate that the obligations of officers, directors and large stockholders of publicly held unlisted companies, and the solicitation of proxies by their management should be governed by the same rules as those of listed companies and that it would be desirable to have the price at which securities of unlisted companies are being bought and sold as precisely ascertainable as those for listed companies.

The following questions, among others, are presented however:

(1) To what extent have investors suffered as a result of the failure of Congress to extend the coverage of the Securities Exchange Act as above indicated?

(2) Where shall the line be drawn between unlisted companies which would be covered by such an extension of the coverage of this Act?

(3) How, from a practical standpoint, can prices of actual sales be precisely ascertainable without the mechanics of an auction market?

(4) Should the Federal establishment be enlarged by the additional staff necessary to handle the administrative responsibility which would be imposed?

Bills to subject companies with 300 or more security holders and $3,000,000 or more of assets to the reporting, proxy solicitation and insider trading and liability provisions of the Securities and Exchange Act were introduced in the 79th, 81st and 82nd Congresses but they were not passed.

(7) **Excessive Use of Credit and Excessive Speculation Through Use of Low Margins.**

For the purpose of preventing the excessive use of credit for the purchase or carrying of securities, Section 7 of the Act makes it unlawful for any member of a national securities exchange or any broker or dealer transacting a business in securities through the medium of any such member to extend, maintain or arrange for the extension of credit on other than securities registered on a national securities exchange (or exempted securities), or to extend more than the amount of credit prescribed by the Board of Governors of the Federal Reserve System on securities registered on a national securities exchange.

The Board of Governors of the Federal Reserve System has adopted Regulations T and U. Regulation T controls the extension of credit by members of national securities exchanges and brokers and dealers transacting a business in securities through such members. Regulation U limits the amount of a loan by a bank if the loan is secured by stock and is for the purpose of purchasing or carrying any stock registred on a national securities exchange.

The Commission looks into the matter of possible violations of Regulation T by exchange members, brokers and dealers, and the bank-examining authorities look into the matter of possible violations of Regulation U by banks.

Other provisions of the Securities Exchange Act, and rules and regulations adopted thereunder, also operate indirectly to control credit. Section 11(d)(1) of the Act makes it unlawful for any person, who conducts business both as a dealer and a broker, to extend or arrange for the extension of credit to or for a customer on any security (other than an exempted security) which was part of a new issue in the distribution of which he participated as a member of the selling syndicate or group within 30 days. In addition, the provisions of Section 8 of the Act, the hypothecation rules, and the net-capital-aggregate-indebtedness ratio rule (X-15C3-1) also act indirectly to control credit in the securities markets.

Two With Wilson, Johnson

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John J. Fisher and Arthur Jan have become affiliated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the San Francisco Stock Exchange.

Gordon Graves Offers So. States Oil Stock

Gordon Graves & Co. Inc. is offering as sold underwriter 250,000 shares of Southern States Oil Co. common stock (par one cent) to the public today (April 21) at $2 a share as a speculation. In addition, the company will sell the underwriter and selling group at two cents per optioned share rights to buy a maximum of 100,000 shares of the company's common stock at $3 a share until Dec. 31, 1958.

Proceeds from the sale of this common stock will be used, it is contemplated, for the further exploration and development of the company's properties, including those it may acquire in the future. The company is engaged in the exploration for oil and gas and the development of these properties, concentrating principally in the states of Mississippi, Alabama, Louisiana and Texas.

Allied Uranium Stock Offered at $1 a Share

H. J. Cooney & Co., New York City, is offering publicly "as a speculation" an issue of 600,000 shares of Allied Uranium Mines, Inc. common stock (par one cent) at $1 per share.

Allied Uranium Mines, Inc. was organized under Delaware laws in August, 1954, for the purpose of engaging in the exploration, acquisition, drilling and mining of uranium and vanadium properties.

All of the proceeds of the offering will be used for exploration of the mining claims to determine whether such claims are of a nature from an ore-bearing standpoint to warrant further and more extensive work thereon. Such interests are subject to royalties plus overriding royalties ranging in the aggregate from 8% to 22% to be paid to various third parties on gross value or gross amount received for the ore mined and sold.

Upon completion of the financing, there will be outstanding 1,732,000 shares of Allied's common stock.

Daniel D. Weston Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF. — Cleve H. Benton, Jack C. Fouts, Sanford L. Goldshine, Arnold Handleman and Charles L. Swaine have been added to the staff of Daniel D. Weston & Co., 140 South Beverly Drive.

Hall With Peters, Writer

(Special to The Financial Chronicle)

DENVER, Colo.—John L. Hall has become associated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street. Mr. Hall was formerly associated with the First California Company in San Francisco.

With Cohu & Co.

Cohu & Co., One Wall Street, New York City, members of the New York Stock Exchange, announced yesterday that Lawrence Leif has become associated with the firm as a security analyst.

Joins Morgan Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Fred H. Massey is now with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with J. Logan & Co.

Joins Beil & Hough

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Geo. C. Fuller is now with Beil & Hough, Inc., 33 Fourth St., North, members of the Midwest Stock Exchange.

Peninsular Telephone Offer Underwritten

The Peninsular Telephone Co. has issued to holders of its common stock rights to subscribe at $36 per share to 158,203 shares of additional common stock at the rate of one share for each five shares held of record on April 15, 1955. The rights will expire at 3:30 p.m. (EDT), on May 2, 1955. The offering is being underwritten by a group of investment firms managed jointly by Morgan Stanley & Co. and Coggeshall & Hicks.

Certain officers and employees of the company will have the privilege of subscribing pro rata for any shares not taken through the exercise of rights at $36 per share.

Proceeds from the sale will be used to pay a part of the cost of the company's construction program which is expected to call for expenditures of $16,200,000 in 1955. The major projects include installation of approximately 56 toll positions in various exchanges, resulting in net additions of 14 toll positions, and installation of equipment in four exchanges to complete establishment of nationwide toll dialing throughout the company's system. The company reports that construction authorized so far will be inadequate to meet fully all demands for additional service.

A quarterly dividend of 45 cents per share on the common stock has been declared payable July 1 to stockholders of record June 10. The additional common stock will be entitled to this dividend.

The company's telephone system serves approximately 100 communities in Florida through more than 232,000 stations and 44 central offices, all automatic. Its ten largest exchanges are Tampa, St. Petersburg, Clearwater, Lakeland, Sarasota, Bradenton, Winter Haven, Bartow, Plant City and Lake Wales.

During the five years 1950-1954 operating revenues increased from $9,467,291 to $16,616,673 and net income after preferred dividends from $1,212,866 to $1,190,709. The 1954 net income was equal to $2.42 per share of common stock.

J. W. Williams Co. Formed

ROME, GA. — John W. Williams is conducting a securities business from offices at 305 East Second Street under the firm name of John W. Williams Company.

Forms Stocks Inc.

SALT LAKE CITY, UTAH — Stocks Incorporated has been formed with offices at 444 South State Street. William G. Shields is a principal of the firm.

Virgil D. Wright Opens

(Special to The Financial Chronicle)

CORAL GABLES, FLA.—Virgil D. Wright is engaging in a securities business from offices at 306 Bird Road.

Joins Johnston Bell

(Special to The Financial Chronicle)

BRADENTON, Florida—Carl E. Smith is now affiliated with Johnston E. Bell & Co., 811 Manatee Avenue, West.

First Southern Inv. Adds

(Special to The Financial Chronicle)

BOYNTON BEACH, Fla.—Guy M. Gray, Jr. is now with First Southern Investors Corporation, Southwest First Avenue.

With A. M. Kidder Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Mrs. Elizabeth S. Clayton has joined the staff of A. M. Kidder & Co., 139 East Flagler Street.

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Mutual Funds

1954 distribution of $1.18 fro realized gain on investments.

During the first quarter, Fra cis F. Randolph, Chairman of th Board and President told shar holders, Whitehall Fund's asse continued to be invested rough 50% in bonds and preferred stoc and 50% in common stocks in li with the fund's essentially co servative investment policies. N assets totaled $5,855,000 on Marc 31, 1955.

New investment positions we established in Continental Baki convertible debentures, 3⅝% 1980, Northern Pacific Railwa collateral trust bonds 4%, 198 Standard Oil of Indiana conver ible debentures, 3⅛%, 1982, U. S Rubber 8% preferred stock, an the common stocks of Souther Company and Virginia Electr and Power. The fund's investmen in General Motors common wa increased.

Positions eliminated from th portfolio were City of Chicag Calumet Skyway Toll Bridg revenue bonds 3⅜%, 1995, Wheel ing Steel convertible debenture 3½%, 1965, and the commo stocks of American Chicle, Illino Central R.R., and Sears Roebuck Common stock holdings decrease were American Can, America Natural Gas, DuPont, Genera Electric, National Lead, Newpo News Shipbuilding, Pacific Ga and Electric, Republic Natura Gas, Shell Oil, Socony Vacuu Oil, U. S. Gypsum and Westing house Electric.

WELLINGTON COMPANY ha just published a 16-page bookle designed to help dealers pla mail-prospecting campaigns, ac cording to Milton Fox-Martin manager of dealer relations.

The booklet contains 14 special purpose letters, plus some help ful hints on direct mail cam paigns. Each letter, aimed at on particular segment of the mutua fund market, contemplates th enclosure of the Wellington pros pectus and literature. Mr. Fox Martin said that any one lette or several, may be used inde pendently and exclusively of th remaining letters. The new mail prospecting campaign, accordin to the Wellington executive, add one more feature to the Fund' dealer service. He pointed ou that under this service Welling ton's 3,000 dealers are offered th widest variety of effective sale aids including an advertising ma service, window displays, a com plete sales manual, a complet set of literature, training course for salesmen, and the new colo motion picture—"Your Share i America."

THE BANK OF NEW YORK ha been appointed sole transfer agen in New York City for $1 par valu capital stock of The Dreyfus Fund Incorporated.

New Mexico Inv. Co.

SANTA FE, N. Mex.—Irvin P Murphy has formed the New Mexico Investment Securities Company with offices at 54½ East San Francisco Street, to engage in a securities business.

New York Secs. Co. Opens

James B. Duffy is engaging in a securities business from offices at 2 Broadway, New York City under the firm name of New York Securities Co.

John Obrecht Opens

(Special to The Financial Chronicle)

WHEATRIDGE, Colo.—John G. Obrecht is engaging in a securities business from offices at 4295 Harlan Street.

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. 24	§95.5	*94.6	93.7	68.6
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 24	§2,305,000	*2,284,000	2,262,000	1,636,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 8	6,811,400	6,807,350	6,845,300	6,567,550
Crude runs to stills—daily average (bbls.)	Apr. 8	¶6,992,000	7,206,000	7,476,000	6,759,000
Gasoline output (bbls.)	Apr. 8	23,434,000	23,771,000	24,601,000	22,898,000
Kerosene output (bbls.)	Apr. 8	2,300,000	2,313,000	2,579,000	2,369,000
Distillate fuel oil output (bbls.)	Apr. 8	11,105,000	11,774,000	12,443,000	9,399,000
Residual fuel oil output (bbls.)	Apr. 8	8,293,000	7,915,000	8,532,000	8,451,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 8	183,185,000	185,282,000	183,424,000	179,729,000
Kerosene (bbls.) at	Apr. 8	18,696,000	18,620,000	18,427,000	17,269,000
Distillate fuel oil (bbls.) at	Apr. 8	61,934,000	61,850,000	63,832,000	57,772,000
Residual fuel oil (bbls.) at	Apr. 8	44,620,000	44,634,000	45,113,000	43,833,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 9	663,462	659,059	666,548	606,790
Revenue freight received from connections (no. of cars)	Apr. 9	625,030	620,396	648,838	581,605
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 14	$272,711,000	$335,015,000	$374,831,000	$306,562,000
Private construction	Apr. 14	133,020,000	156,706,000	220,816,000	192,333,000
Public construction	Apr. 14	139,691,000	178,309,000	154,015,000	114,229,000
State and municipal	Apr. 14	98,221,000	150,330,000	94,652,000	92,817,000
Federal	Apr. 14	41,470,000	27,979,000	59,363,000	21,412,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 9	8,200,000	7,350,000	8,380,000	6,768,000
Pennsylvania anthracite (tons)	Apr. 9	410,000	455,000	442,000	501,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 9	122	114	102	113
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 16	9,602,000	9,633,000	9,814,000	8,345,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 14	204	211	226	198
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 12	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	Apr. 12	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Apr. 12	$37.33	$37.00	$37.50	$25.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 13	35.700c	35.700c	32.700c	29.700c
Export refinery at	Apr. 13	37.100c	39.275c	38.550c	29.500c
Straits tin (New York) at	Apr. 13	91.375c	91.250c	91.250c	99.500c
Lead (New York) at	Apr. 13	15.000c	15.000c	15.000c	14.000c
Lead (St. Louis) at	Apr. 13	14.800c	14.800c	14.800c	13.800c
Zinc (East St. Louis) at	Apr. 13	12.000c	12.000c	11.500c	10.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 19	96.34	96.31	97.36	100.44
Average corporate	Apr. 19	109.42	109.42	109.24	110.88
Aaa	Apr. 19	112.93	112.93	112.75	116.02
Aa	Apr. 19	110.70	110.88	110.70	112.12
A	Apr. 19	109.60	109.60	109.60	110.34
Baa	Apr. 19	104.48	104.48	104.31	104.66
Railroad Group	Apr. 19	107.62	107.62	107.62	109.60
Public Utilities Group	Apr. 19	109.97	109.97	109.79	110.88
Industrials Group	Apr. 19	110.52	110.52	110.34	112.37
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 19	2.77	2.77	2.69	2.46
Average corporate	Apr. 19	3.20	3.20	3.21	3.12
Aaa	Apr. 19	3.01	3.01	3.02	2.85
Aa	Apr. 19	3.13	3.12	3.13	3.00
A	Apr. 19	3.19	3.19	3.19	3.15
Baa	Apr. 19	3.48	3.48	3.49	3.47
Railroad Group	Apr. 19	3.30	3.30	3.30	3.19
Public Utilities Group	Apr. 19	3.17	3.17	3.18	3.12
Industrials Group	Apr. 19	3.14	3.14	3.15	3.04
MOODY'S COMMODITY INDEX	Apr. 19	401.9	403.6	397.2	440.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 9	289,436	336,760	254,012	229,743
Production (tons)	Apr. 9	255,796	271,066	269,618	242,573
Percentage of activity	Apr. 9	95	95	95	89
Unfilled orders (tons) at end of period	Apr. 9	547,884	515,670	504,708	413,245
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Apr. 15	107.10	107.11	107.33	109.16
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	Apr. 2	1,274,329	1,253,152	1,493,102	980,698
Dollar value	Apr. 2	$64,645,879	$67,665,162	$76,928,678	$39,653,869
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 2	1,185,730	1,143,902	1,338,805	1,001,471
Customers' short sales	Apr. 2	8,451	7,983	4,690	9,234
Customers' other sales	Apr. 2	1,177,279	1,135,919	1,334,115	992,237
Dollar value	Apr. 2	$57,924,956	$57,768,454	$63,267,057	$42,527,514
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 2	320,220	314,080	331,290	309,150
Short sales	Apr. 2				
Other sales	Apr. 2	320,220	314,080	331,290	309,150
Round-lot purchases by dealers—					
Number of shares	Apr. 2	413,560	431,350	513,700	316,560
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. 26	491,730	537,400	405,610	315,520
Other sales	Mar. 26	12,553,500	14,783,150	12,239,010	9,272,880
Total sales	Mar. 26	13,045,230	15,320,550	12,644,620	9,588,400
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 26	1,589,320	2,042,670	1,312,680	1,055,270
Short sales	Mar. 26	277,660	268,620	253,690	156,820
Other sales	Mar. 26	1,379,820	1,801,010	1,051,370	959,280
Total sales	Mar. 26	1,657,480	2,069,630	1,305,060	1,116,100
Other transactions initiated on the floor—					
Total purchases	Mar. 26	272,680	396,140	181,660	343,730
Short sales	Mar. 26	18,900	35,820	12,700	18,900
Other sales	Mar. 26	260,060	350,350	238,390	344,000
Total sales	Mar. 26	278,960	386,170	251,090	362,900
Other transactions initiated off the floor—					
Total purchases	Mar. 26	475,495	562,820	461,253	328,394
Short sales	Mar. 26	91,570	75,820	52,110	23,510
Other sales	Mar. 26	583,010	548,775	664,625	328,400
Total sales	Mar. 26	674,580	624,595	716,735	351,910
Total round-lot transactions for account of members—					
Total purchases	Mar. 26	2,337,495	3,001,630	1,955,593	1,727,394
Short sales	Mar. 26	388,130	380,260	318,000	199,230
Other sales	Mar. 26	2,222,890	2,700,135	1,954,385	1,631,680
Total sales	Mar. 26	2,611,020	3,080,395	2,272,885	1,830,910
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 12	110.5	*110.4	110.0	111.0
Farm products	Apr. 12	94.3	*92.5	92.3	100.3
Processed foods	Apr. 12	102.6	*103.0	101.8	105.2
Meats	Apr. 12	84.2	*85.1	80.5	93.9
All commodities other than farm and foods	Apr. 12	115.7	*115.7	115.5	114.5

*Revised figure. ¶Includes 677,000 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
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of March (in thousands)	$178,914,000	$149,718,000	$171,354,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of March 31:			
Imports	$226,836,000	$235,002,000	$247,401,000
Exports	182,141,000	178,487,000	139,367,000
Domestic shipments	12,986,000	10,495,000	10,204,000
Domestic warehouse credits	235,409,000	272,588,000	97,231,000
Dollar exchange	56,496,000	41,464,000	46,600,000
Based on goods stored and shipped between foreign countries	93,100,000	93,129,000	39,357,000
Total	$806,968,000	$831,165,000	$580,160,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of March (in millions):			
Total new construction	$2,919	$2,644	$2,567
Private construction	2,151	1,986	1,779
Residential building (nonfarm)	1,145	1,034	863
New dwelling units	1,050	950	770
Additions and alterations	74	63	71
Nonhousekeeping	21	21	22
Nonresidential building (nonfarm)	559	548	469
Industrial	186	187	173
Commercial	208	198	154
Warehouses, office and loft buildings	82	83	70
Stores, restaurants and garages	126	115	84
Other nonresidential building	165	163	142
Religious	53	53	40
Educational	41	39	38
Social and recreational	17	17	16
Hospital and institutional	28	28	27
Miscellaneous	26	26	21
Farm construction	105	97	114
Public utilities	328	294	326
Railroad	27	20	31
Telephone and telegraph	52	47	50
Other public utilities	249	227	245
All other private	14	13	7
Public construction	768	658	788
Residential building	21	21	34
Nonresidential building	340	304	365
Industrial	79	68	140
Educational	185	170	158
Hospital and institutional	25	23	26
Other nonresidential building	51	43	41
Military facilities	85	78	75
Highways	170	125	160
Sewer and water	82	70	75
Miscellaneous public service enterprises	12	10	14
Conservation and development	46	40	52
All other public	12	10	13
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of February:			
Cotton Seed—			
Received at mills (tons)	84,193	118,703	112,784
Crushed (tons)	513,729	597,822	623,650
Stocks (tons) Feb. 28	1,412,061	1,841,597	1,879,379
Crude Oil—			
Stocks (pounds Feb. 28	145,221,000	141,494,000	184,165,000
Produced (pounds)	169,946,000	196,278,000	207,447,000
Shipped (pounds)	151,001,000	169,197,000	202,671,000
Refined Oil—			
Stocks (pounds) Feb. 28	545,824,000	660,701,000	1,177,790,000
Produced (pounds)	141,252,000	159,433,000	188,791,000
Consumption (pounds)	141,288,000	144,295,000	141,894,000
Cake and Meal—			
Stocks (tons) Feb. 28	257,064	242,133	146,087
Produced (tons)	254,430	293,109	294,428
Shipped (tons)	239,499	296,486	257,563
Hulls—			
Stocks (tons) Feb. 28	68,917	78,015	88,486
Produced (tons)	114,203	131,272	138,347
Shipped (tons)	123,301	133,536	114,598
Linters, running bales)—			
Stocks Feb. 28	356,759	389,254	213,459
Produced	165,675	186,850	196,548
Shipped	198,170	115,423	199,817
Hull Fiber (1,000-lb. bales)—			
Stocks Feb. 28	618	1,040	1,075
Produced	676	778	1,188
Shipped	1,098	547	1,175
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Feb. 28	4,342	4,393	8,460
Produced	1,457	1,813	3,280
Shipped	1,508	1,403	3,627
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of January:			
Net railway operating income	$68,660,177	$108,694,910	$32,545,878
Other income	21,931,113	66,209,154	25,183,262
Total income	90,591,290	174,904,064	57,729,140
Miscellaneous deductions from income	4,323,599	12,317,752	4,056,643
Income available for fixed charges	86,267,691	162,586,312	53,672,497
Income after fixed charges	54,328,329	131,246,495	21,137,830
Other deductions	2,455,598	4,622,711	2,213,457
Net income	51,872,731	126,623,784	18,924,373
Depreciation (way & structure & equipment)	43,877,328	43,826,212	43,142,484
Federal income taxes	21,203,421	Cr15,183,869	19,296,109
Dividend appropriations:			
On common stock	22,167,646	29,916,094	15,681,701
On preferred stock	6,360,974	3,722,452	9,465,284
Ratio of income to fixed charges	2.70	5.01	1.65
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of March:			
Net sales	------	------	$22,437,550
Net purchases	$18,878,300	$163,382,000	------
U. S. GOVT. STATUTORY DEBT LIMITATION—As of March 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$275,000,000
Outstanding—			
Total gross public debt	274,047,818	278,181,954	270,235,368
Guaranteed obligations not owned by the Treasury	32,614	26,948	77,086
Total gross public debt and guaranteed obligations	$274,080,432	$278,208,902	$270,312,455
Deduct—other outstanding public debt obligations not subject to debt limitation	509,223	511,967	555,952
Grand total outstanding	$273,571,209	$277,696,935	$269,756,502
Balance face amount of obligations, issuable under above authority	7,428,790	3,303,064	5,243,497
WINTER RYE CONDITION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of April 1	83	------	82
WINTER WHEAT PRODUCTION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of April 1 (bushels)	662,252,000	------	790,737,000

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
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.

★ **Airborne Instruments Laboratory, Inc. (4/29)**
April 15 (letter of notification) 9,026 shares of capital stock (par $1). **Price**—$29.50 per share. **Proceeds**—To selling stockholders. **Office** — 160 Old Country Road, Mineola, N. Y. **Underwriter** — Smith, Barney & Co., New York.

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.

Amcrete Corp., Briarcliff, N. Y.
Dec. 6 (letter of notification) 7,500 shares of 6% participating preferred stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Business**—Distributor of prefabricated concrete wall panels and buttresses made of steel reinforced dense concrete, etc. **Underwriter**—None.

American 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 Discount Co. of Georgia**
April 15 filed 15,000 shares of 5% cumulative preferred stock, series of 1954. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office** — Charlotte, N. C. **Underwriters**—A. M. Law & Co., Spartanburg, S. C., and Johnson, Lane, Space & Co., Inc., Savannah, Ga.

• **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. (5/2)**
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.

American Locomotive Co.
March 11 filed $25,000,000 sinking fund debentures due March 15, 1980. **Price**—To be supplied by amendment **Proceeds**—Together with other funds, to redeem $18,-700,000 of 7% cumulative preferred stock (par $100) at $115 per share and prepay $10,000,000 loan from Metropolitan Life Insurance Co. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Temporarily postponed.

Anchor Precision Corp., Westbury, L. I., N. Y.
March 28 filed 118,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($5 per share). **Proceeds**—For expansion in Mid-west, to fabricate additional micro-zip machine and zipper manufacturing equipment and for working capital. **Underwriter**—D. Gleich Co., New York.

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.

Astron Corp., East Newark, N. J. (5/2-6)
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.

★ **Bankers Fire & Marine Insurance Co.**
April 12 (letter of notification) 15,000 shares of common stock (par $5) to be offered for subscription by stockholders. **Price**—$14 per share. **Proceeds**—To increase capital and surplus. **Office**—312 N. 23rd St., Birmingham, Ala. **Underwriter**—None.

★ **Berkshire Realty Co.**
March 4 (letter of notification) 995 shares of common stock (par $100) and $200,000 of 6% 25-year debentures due May 1, 1980 (in denominations of $1,000 each). **Price**—At par. **Proceeds**—For purchase of real estate for investment or resale. **Office**—1000 Fountain Square Bldg., Cincinnati, Ohio. **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. **Underwriters**—Kuhn, Loeb & Co. and Smith, Barney & Co., both of New York.

• **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. **Offering**—Temporarily postponed.

★ **Bountiful Uranium Co., Reno, Nev.**
March 7 (letter of notification) 2,900,000 shares of common stock (par 2½ cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Room 402, First National Bank Bldg., 15 East First St., Reno, Nev. **Underwriter**—Northern Securities, Inc., Seattle, Wash.

★ **Braniff Airways, Inc.**
April 19 filed a maximum aggregate amount of $6,000,-000 common stock (par $2.50) to be offered for subscription by common stockholders on a pro rata basis. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to purchase seven new DC 70 aircraft on order from Douglas Aircraft Co. for delivery during 1956 and early 1957. **Underwriter**—F. Eberstadt & Co., Inc., New York.

• **Bridgeport Brass Co., Bridgeport, Conn. (4/26)**
March 28 filed 202,547 shares of cumulative convertible preferred stock (par $50) to be offered for subscription by common stockholders of record April 26 on 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, Tex.
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.

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.

★ **California Valley Oil Co.**
March 31 (letter of notification) 50,000 shares of capital stock (par $1). **Price**—$1.25 per share. **Proceeds**—To two selling stockholders. **Office**—530 W. Sixth Street, Los Angeles 14, Calif. **Underwriter**—None.

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.

★ **Catalyst Research Corp., Pittsburgh, Pa.**
March 4 (letter of notification) 644,830 shares of common stock to be offered for subscription by stockholders. **Price**—At par (32 cents per share). **Proceeds**—For additional plant facilities and improvements. **Office**—201 North Braddock Ave., Pittsburgh 8, Pa. **Underwriter**—Mine Safety Appliances Co., same address.

★ **Ceramics Industries of Georgia, Inc.**
March 31 (letter of notification) 150,000 shares of common stock (no par). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter** — None. Roy M. Mundorff, President, will handle stock sales.

★ **Cessna Aircraft Co., Wichita, Kans.**
Feb. 15 (letter of notification) 1,200 shares of common stock (par $1). **Price**—At market (estimated at $21 per share.) **Proceeds**—To Delbert L. Roskam, Vice-President. **Underwriter**—Francis I. du Pont & Co., Wichita, Kan.

• **Chesapeake & Colorado Uranium Corp. (4/26)**
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.

★ **Chicago Corp. (5/4)**
April 14 filed 672,000 additional shares of common stock (par $1) to be offered for subscription by common stockholders of record May 2 on the basis of one new share for each five shares held; rights to expire on May 19. **Price**—To be announced later. **Proceeds**—For new construction and working capital; and to prepay outstanding notes. **Underwriters**—Glore, Forgan & Co., Chicago, Ill., and Ladenburg, Thalmann & Co., New York.

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, 1954, but was 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.

★ Copper Range Co. (5/4)
April 14 filed 282,464 shares of common stock (par $5) to be offered for subscription by common stockholders of record May 4. The offering is subject, on the basis of one share for each five shares held; rights to expire on May 18. **Price**—To be supplied by amendment. **Proceeds**—To retire obligations and for general corporate purposes. **Underwriter** — Paine, Webber, Jackson & Curtis, Boston and New York.

● Corson (G. & W. H.), Inc. (4/22-25)
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.

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.

★ Dayton Rubber Co. (5/5-6)
April 15 filed $3,000,000 convertible subordinated debentures due Dec. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—For increased inventories and for working capital, etc. **Underwriter** — Lehman Brothers, New York.

★ Deep Rock Oil Corp., Tulsa, Okla.
Feb. 18 (letter of notification) a maximum of 6,000 shares of common stock (par $1) to be offered to employees under Employees' Stock Purchase Plan. **Price**—At market, estimated at $47.25 per share. **Proceeds**—To buy stock for employees at market. **Address**—P. O. Box 1051, Tulsa, Okla. **Underwriter**—None.

Desert Queen Uranium Co., Salt Lake City, Utah
Jan. 26 (letter of notification) 259,500 shares of common stock (par two cents). **Price**—$1 per share. **Proceeds**—for mining operations. **Office**—506 Judge Building, Salt Lake City, Utah. **Underwriter** — Selected Securities Ltd., Los Vegas, Nev.

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.

★ Diadem Mining Co., Spokane, Wash.
March 28 (letter of notification) 500,000 shares of preferred stock (par one mill) and $20,000 of 5-year 5% production notes. **Price**—Of stock, 50 cents per share. **Proceeds**—For mining expenses. **Office**—611 Zukor Bldg., Spokane, Wash. **Underwriters**—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.

★ Durango Kid Uranium Corp., Moab, Utah
April 1 (letter of notification) 30,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—Guss & Mednick, Arches Building, Moab, Utah.

Dyno Mines, Ltd., Toronto, Canada.
March 25 filed 1,100,000 shares of common stock (par $1). **Price**—To be related to the current market price on the Toronto Stock Exchange. **Proceeds**—To American Trading Co. Ltd., the selling stockholder. **Underwriter**—R. W. Brown Ltd., Toronto, Canada, on a "best-efforts basis."

East Texas Loan & Investment Co.
Jan. 20 (letter of notification) 25,000 shares of common stock (no par). **Price** — $10 per share. **Proceeds**—For working capital. **Office**—203 East Cotton St., Longview, Tex. **Underwriter**—D. G. Carter Investment Co., same address.

★ Eastern Engineering Associates, Inc.
March 24 (letter of notification) $102,000 of 4% debentures and 12,000 shares of common stock. **Price**—The debentures at 85% of par, and the stock at par ($1 per share). **Proceeds**—For machinery, equipment, inventory and working capital. **Office**—720 — 21st St., South, Arlington, Va. **Underwriter**—None.

Electronics Co. of Ireland
Jan. 6 filed 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For machinery and building and working capital. **Office** — 407 Liberty Trust Bldg., Philadelphia, Pa. **Underwriter**—None.

● Electronics Investment Corp. (4/26)
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.

★ EMC Recordings Corp., St. Paul, Minn.
March 7 (letter of notification) 4,000 shares of capital stock (no par). **Price** — $15 per share. **Proceeds** — For working capital. **Office**—806 E. Seventh Street, St. Paul, Minn. **Underwriter**—None.

★ Empire Studios, Inc., Orlando, Fla.
April 1 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To reduce bank loans; and for new equipment and working capital. **Business**—Produces motion and television films. **Underwriter**—Gerard R. Jobin Investments, Ltd., St. Petersburg, Fla.

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.

★ Equitable Uranium Corp., Aurora, Colo.
April 11 (letter of notification) 1,920,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—1444 Dayton St., Aurora, Okla. **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 working capital. **Office**—123 Erie Boulevard East, Syracuse, N. Y. **Underwriter**—None.

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NEW ISSUE CALENDAR

April 21 (Thursday)
Gulf, Mobile & Ohio RR.______________Bonds
(Bids noon EST) $25,000,000

April 22 (Friday)
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
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
Holly Uranium Corp.______________Common
(Barrett Herrick & Co., Inc. and Franklin, Meyer & Barnett) $3,150,000
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
Ryder Systems, Inc.______________Common
(Blyth & Co., Inc.) 160,000 shares

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
Chesapeake & Colorado Uranium Corp.__Common
(S. D. Fuller & Co.; Peter Morgan & Co.; and Vermilye Brothers) $1,000,000
Electronics Investment Corp.______________Common
(William R. Staats & Co.) $10,000,000

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
Transcontinental Gas Pipe Line Corp.__Preferred
(White, Weld & Co. and Stone & Webster Securities Corp.) $15,000,000

April 28 (Thursday)
Denver & Rio Grande Western RR. Equip. Tr. Ctfs.
(Bids noon MST) $2,340,000
Sterling Drug, Inc.______________Debentures
(Eastman Dillon & Co.) $25,000,000

April 29 (Friday)
Airborne Instruments Laboratory, Inc.__Common
(Smith, Barney & Co.) $266,267
Hawk Lake Uranium Corp.______________Common
(Dobbs & Co.) $300,000

May 2 (Monday)
American International Minerals Corp.__Common
(Vickers Brothers) $460,000
Astron Corp. ______________Common
(Van Alstyne, Noel & Co.) $1,000,000
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
Texas Instruments, Inc.______________Preferred
(Offering to common stockholders—underwritten by Morgan Stanley & Co.) $4,148,625
Washington Steel Corp.______________Preferred
(Singer, Deane & Scribner) $1,500,000

May 3 (Tuesday)
Sutton (O. A.) Corp., Inc.______________Common
(F. Eberstadt & Co. and Shillinglaw, Bolger & Co.) 400,000 shares

May 4 (Wednesday)
Chicago Corp.______________Common
(Offering to stockholders—underwritten by Glore, Forgan & Co. and Ladenburg, Thalmann & Co.) 672,000 shares
Copper Range Co.______________Common
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis) 282,464 shares
Riegel Paper Corp.______________Debentures
(Morgan Stanley & Co.) $15,000,000
Riegel Paper Corp.______________Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 190,960 shares

May 5 (Thursday)
Dayton Rubber Co.______________Debentures
(Lehman Brothers) $3,000,000

May 9 (Monday)
National Container Corp.______________Common
(Van Alstyne, Noel & Co.) 250,000 shares
Transamerica Corp. ______________Common
(Blyth & Co., Inc. and Dean Witter & Co.) 1,346,800 shares

May 10 (Tuesday)
Garrett Corp. ______________Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 182,033 shares
Georgia Power Co.______________Bonds
(Bids 11 a.m. EDT) $12,000,000
Jersey Central Power & Light Co.______________Bonds
(Bids noon EDT) $20,000,000
New York, Chicago & St. Louis RR.___Eq. Tr. Ctfs.
(Bids to be invited) $4,080,000

May 12 (Thursday)
Florida Power Corp.______________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane) 232,557 shares

May 16 (Monday)
Dover Corp. ______________Common
(Cohu & Co.) 106,208 shares
Stewart Oil & Gas Co.______________Common
(Barrett Herrick & Co., Inc.) $750,000

May 17 (Tuesday)
Ohio Edison Co.______________Bonds
(Bids 11 a.m. EDT) $30,000,000
Southern California Edison Co.______________Debentures
(Offering to stockholders—no underwriting) $40,950,600

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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★ Federated Uranium Corp.
March 14 (letter of notification) 3,000,000 shares of common stock (par one cents). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—122 West Second South Street, Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

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 Power Corp. (5/12)
April 14 (letter of notification) 232,557 shares of common stock (par $7.50) to be offered for subscription by common stockholders of record May 11 on a 1-for-10 basis; rights to expire on May 31. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane.

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.

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.

★ Frito Co., Dallas, Texas
April 15 filed 127,500 shares of common stock (no par), of which 27,500 shares are to be offered to officers and employees by company at $9.50 per share; 90,000 shares are to be offered for account of C. E. Doolin, a founder and largest stockholder, at $10 per share; and 10,000 shares are to be offered for Mr. Doolin's account to directors who are not employees at $9.10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Dittmar & Co., San Antonio, Tex.

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.

★ Garrett Corp. (5/10)
April 20 filed 182,033 shares of common stock (par $2) to be offered for subscription by common stockholders of record about May 9 in the ratio of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

★ General Controls Co., Glendale, Calif.
April 18 filed 60,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

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.

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 at the office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

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.

★ Gramercy Sire Plan, Inc.
April 12 (letter of notification) 240,000 units of coownership. **Price**—$1,000 each. **Proceeds**—To take title to property at 82-84 Irving Place, New York, N. Y. **Office**—55 Broadway, New York 6, N. Y. **Underwriter**—None.

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. (4/22)
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. (4/29-5/4)
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. **Offering**—Expected in 10 to 14 days.

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.

★ Hemisphere Productions Ltd., Washington, D. C.
April 8 (letter of notification) 4,000 shares of 10% cumulative callable preferred stock (par $2.50) and 60,000 shares of common stock (par 25 cents) to be offered in units of two preferred and 30 common shares. **Price**—$25 per unit. **Proceeds**—Production of pilot films, preparation for second stock offer, equipment and working capital. **Office**—1625 K St., N. W., Washington, D. C. **Underwriter**—None.

★ Henry Mountains Uranium Corp., Denver, Colo.
April 1 (letter of notification) 11,000,000 shares of capital stock (par one cent). **Price**—2½ cents per share. **Proceeds**—For mining expenses. **Office**—602 First National Bank Building, Denver, Colo. **Underwriter** — None, sales to be made through Jack Houlton (President) and Clarence Engstrom (Secretary-Treasurer).

★ Historic Georgetown, Inc., Washington, D. C.
April 6 (letter of notification) 3,000 shares of cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—To restore properties in Georgetown area of the District of Columbia. **Office**—1700 Eye St., N. W., Washington, D. C. **Underwriter**—None.

● Holly Uranium Corp., New York (4/25)
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.

★ Homestead Oil & Uranium Co.
April 1 (letter of notification) 5,990,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—718 Majestic Building, Denver, Colo. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo.

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. **Offering** — Expected today (April 22).

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.

★ Iowa Public Service Co.
April 20 filed 270,220 shares of common stock (par $5) to be offered for subscription by common stockholders of record May 11, 1955 at rate of one new share for each 10 shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—None.

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.

★ Jeannette Glass Co.
April 1 (letter of notification) 900 shares of 7% cumulative preferred stock (par $100), of which 300 shares are subject of offer of rescission. **Price**—At market (initial asking price $110 per share). **Proceeds** — To Kirk W. Todd, President. **Office**—Chambers St., Jeannette, Pa. **Underwriter**—None.

★ Jersey Central Power & Light Co. (5/10)
April 14 filed $20,000,000 first mortgage bonds due May 1, 1985. **Proceeds**—To refund $8,500,000 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 noon (EDT) on May 10 at office of General Public Utilities Corp., 67 Broad St., New York, N. Y.

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.

★ Jurassic Minerals, Inc.
April 4 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds** — For organizational expenses. **Office** — 326 W. Montezuma Street, Cortez, Colo. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

★ Kane Creek Uranium Corp.
April 1 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Address**—P. O. Box 528, Moab, Utah. **Underwriter** — Mid-America Securities, Inc. of Utah, 26 West Broadway, Salt Lake City, Utah.

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.

● Laan-Tex Oil Corp., Dallas, Texas
March 9 (letter of notification) 299,000 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.; First Guaranty Co., C. N. Burt & Co., and Wm. J. Garrett & Co., all of Dallas, Tex.; J. R. Phillips Investment Co., Chas. B. White & Co. and John D. Scott & Co., all of Houston, Tex.; and First of Texas Corp., San Antonio, Tex.

★ Law Investment Co., Washington, D. C.
April 8 (letter of notification) 100 shares of class A stock and 400 shares of class B stock. **Price**—At par ($100 per share). **Proceeds**—For inventory and working capital.

Office—1025 Vermont Ave., N. W., Washington, D. C. 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.

★ **Lockhart Basin Uranium Corp.**
March 4 (letter of notification) 270,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—2761 Washington Blvd., Ogden, Utah. **Underwriter**—Mid-America Securities, Inc., Chicago, Ill.

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.

★ **Majestic Uranium Corp.**
March 10 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds** — For mining expenses. **Office** — 715 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

● **Mallinckrodt Chemical Works**
March 29 filed 40,000 shares of comulative preferred stock, series C ($50 par-convertible). **Price** — $53 per share. **Proceeds**—For construction of plant and working capital. **Underwriter**—Newhard, Cook & Co., St. Louis, Mo. **Offering**—Now being made.

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.

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**—Expected to be $5.50 per share. **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.

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.

★ **Metalphoto Corp., Cleveland, Ohio**
April 4 (letter of notification) 108,070 shares of common stock (par one cent) to be offered first to stockholders. **Price**—$1 per share. **Proceeds**—For purchase of equipment, expansion of facilities and working capital. **Office**—2903 E. 79th St., Cleveland 4, Ohio. **Underwriter**—Wm. J. Mericka & Co., same city.

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.

★ **Milneal Enterprises, Inc., Reno, Nev.**
March 3 (letter of notification) 40,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For publishing and printing of "The Coming Triumph Capital Ism" and related expenses. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—None, sales to be handled through Erastus J. Milne, President of the company.

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 King, Inc.**
April 4 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—210 Zions Savings Bank Building, Salt Lake City, Utah. **Underwriter** — Potter Investment Co., same city.

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.

★ **Moab Mines, Inc., Moab, Utah**
March 14 (letter of notification) 3,000,000 shares of capital stock (par two cents). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

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.

★ **Morrell (John) & Co., Ottumwa, Iowa**
March 31 (letter of notification) 16,000 shares of capital stock (no par) to be offered in exchange for a like number of shares of John J. Felin Co., Inc., plus a cash payment. **Underwriter**—None.

★ **Nancy Lee Consolidated Mines, Inc.**
March 3 (letter of notification) 30,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—710 South Fourth Street, Las Vegas, Nev. **Underwriter**—H. G. Frese, 1253 San Carlos Avenue (P. O. Box 787), San Carlos, Calif.

★ **Nation Wide Securities Co., Inc., New York**
April 18 filed (by amendment) 100,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

★ **National Container Corp., New York**
April 18 filed $7,000,000 of 15-year sinking fund debentures due 1970. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans; for machinery and equipment; and for expansion. **Underwriters** — Halsey, Stuart & Co. Inc. and Van Alstyne, Noel & Co., both of New York.

★ **National Container Corp., New York (5/9-13)**
April 18 filed 250,000 shares of common stock (par $1). **Price**—To be related to the then current market price on New York Stock Exchange. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ **National Starch Products Co.**
April 15 (letter of notification) 10,000 shares of common stock (par $1) to be offered to employees pursuant to stock options. **Proceeds**—For working capital. **Office**—270 Madison Ave., New York 16, N. Y. **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.

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.

★ **Northwest Plastics, Inc., St. Paul, Minn.**
April 5 (letter of notification) 24,000 shares of common stock (par $2.50). **Price**—$12.50 per share. **Proceeds**—To retire bank loans and for working capital. **Office**—65 Plato Ave., St. Paul 1, Minn. **Underwriters**—Irving J. Rice & Co., St. Paul, Minn., and M. H. Bishop & Co., Minneapolis, Minn.

★ **Ohio Edison Co. (5/17)**
April 20 filed $30,000,000 of first mortgage bonds due May 1, 1985. **Proceeds** — For property additions and improvements. **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**—To be received up to 11 a.m. (EDT) on May 17 at office of Commonwealth Services, Inc., 20 Pine St., New York 5, N. Y.

★ **Pacific Clay Products, Los Angeles, Calif.**
April 20 filed 94,875 shares of capital stock (par $8). **Price**—To be supplied by amendment. **Proceeds**—To Pacific-American Investors, Inc., Los Angeles, Calif. (45,000 shares) and Kidder, Peabody & Co. (49,875 shares). **Underwriter**—Kidder, Peabody & Co., 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.

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.**
March 25 filed 158,203 shares of common stock (no par) being 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**—$36 per share. **Proceeds**—For construction program. **Underwriters**—Morgan Stanley & Co. and Coggeshall & Hicks, both of New York.

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.

★ **Producers Uranium Corp.**
March 3 (letter of notification) 10,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds** — For mining expenses. **Offices** — 206 North Virginia St., Reno, Nev., and 510 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

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

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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.

★ **Riegel Paper Corp. (5/4)**
April 13 filed $15,000,000 25-year sinking fund debentures, due May 1, 1980, and 190,960 shares of common stock (par $10), the latter to be offered for subscription by common stockholders of record May 3 on a one-for-four basis; rights to expire May 18. **Price** — To be supplied by amendment. **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 Acme, N. C., pulp mill. **Underwriter**—Morgan Stanley & Co., New York.

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. (4/25)**
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.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

San Miguel Uranium Mines, Inc.
Jan. 6 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—Mineral Bldg., Grand Junction, Colo. **Underwriter** — Tellier & Co., Jersey City, N. J.

★ **San Rafael Uranium Co. of Maryland**
March 4 (letter of notification) 15,000,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—Lewellen-Bybee Co., Washington, D. C.

★ **Scholz Homes, Inc., Toledo, O.**
April 14 filed 180,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To prepay notes; to establish and equip new plant; and for inventories and working capital. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

★ **Shiprock Uranium Corp.**
March 4 (letter of notification) 600,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**— For mining expenses. **Office** — Taylor Bldg., Farmington, N. Mex. **Underwriter**—L. A. Huey Co., Denver, Colo.

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.

★ **Sonic Research Corp., Boston, Mass.**
April 18 filed 150,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — J. P. Marto & Co., Boston, Mass.

★ **Sooner Uranium Exploration Co., Quinton, Okla.**
March 7 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price** — 20 cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

Southeastern Public Service Co.
Jan. 24 (letter of notification) 28,000 shares of common stock (par 10 cents) being offered in exchange for Hamilton Gas Corp. capital stock (par $1) on the basis of 3½ Southeastern shares for each Hamilton share. This offer shall terminate when offer shall have been accepted by Hamilton stockholders owning not in excess of 8,000 shares of Hamilton stock. **Office**—70 Pine St., New York 5, N. Y. **Underwriter**—None.

★ **Southern California Edison Co. (5/17)**
April 19 filed a maximum of $40,950,600 of convertible debentures due July 15, 1970, to be offered for subscription by holders of original preferred and common stock on the basis of $5 of debentures for each share of stock held as of record May 17, 1955. **Price** — At principal amount (in denominations of $100 each). **Proceeds**—To retire short term bank loans and for new construction. **Underwriter**—None.

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.

★ **Stancan Uranium Corp., Toronto, Canada**
April 18 filed 200,000 shares of cumulative convertible preferred stock, series A (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York.

● **Sterling Drug, Inc., New York (4/28)**
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. (5/16-20)**
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. (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.

★ **Telecomputing Corp.**
March 3 (letter of notification) 3,826 shares of capital stock (par $1). **Price**—At market (estimated at $7.50 per share). **Proceeds** — For working capital. **Office** — 12838 Saticoy Ave., North Hollywood, Calif. **Underwriter**—None, sales to be handled through officers of company.

● **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; rights to expire May 19. **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.

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.

★ **Transamerica Corp. (5/9)**
April 18 filed 1,346,800 shares of capital stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for additional investments in banking and other subsidiaries. **Underwriters**—Blyth & Co., Inc. and Dean Witter & Co., both of San Francisco, Calif.

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.

★ **Tri-State Uranium Co.**
March 7 (letter of notification) 4,700,000 shares of common stock (par three cents). **Price**—Six cents per share. **Proceeds**—For mining costs. **Office**—270 South State St., Salt Lake City, Utah. **Underwriter**—Coombs & Co. of Ogden, Utah.

★ **Tungsten Uranium Mines, Inc.**
March 8 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For mining expenses. **Office**—711 Hutton Bldg., Spokane, Wash. **Underwriter** — None, sales to be made through Victor Adelbert Johnson, President of the company, and one other.

★ **Turner Uranium Corp.**
April 1 (letter of notification) 2,000,000 shares of common stock (par 2½ cents). **Price**—10 cents per share. **Proceeds** — For mining operations. **Office** — 130 Social Hall Avenue, Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., same city.

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 Corp., Dallas, Texas
Feb. 16 (letter of notification) 27,000 shares of 70-cent cumulative preferred stock (no par) and 27,000 shares of common stock (par 15 cents) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Underwriter** — J. F. Perkins & Co., Dallas, Texas.

★ **Uranium Geophysical Exploration Co.**
March 14 (letter of notification) 7,400,000 shares of common stock (par one cent). **Price**—Four cents per share. **Proceeds**—For mining expenses. **Office** — 414 Denver National Building, Denver, Colo. **Underwriter**—Floyd Koster & Co., same city.

Vada Uranium Corp., Ely, Nev.
Jan. 17 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For mining expenses. **Office**—280 Aultman St., Ely, Nev. **Underwriter**—Bristol Securities Co., Fall River, Mass.

★ **Vanadium Queen Uranium Corp.**
April 18 filed 845,000 shares of capital stock (par 10 cents), of which 70,000 shares are for the account of selling stockholders and 775,000 shares for the company's account. **Price**—$2.50 per share. **Proceeds** — To repay notes and for exploration and development expenses. **Office** — Grand Junction, Colo. **Underwrtier**—Van Alstyne, Noel & Co., New York. **Offering**—Expected some time in May.

● **Washington Steel Corp. (5/2-6)**
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. **Office**—Washington, Pa. **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 Development Co. of Delaware
March 14 (letter of notification) 18,773 shares of capital stock (par $1) to be offered in exchange for 124,165 shares of class A and class B capital stock of Excalibur Uranium Corp. **Address**—65 Sena Plaza, or P. O. Box 1201, Santa Fe, N. Mex. **Underwriter**—None.

★ Western Electric Co., Inc.
April 13 (letter of notification) 1,155,000 shares of common stock (no par) to be offered for subscription by stockholders of record April 12 on basis of one new share for each 10 shares held; rights to expire on May 27. **Price** — $45 per share. **Proceeds** — For expansion. **Office**—195 Broadway, New York. **Underwriter**—None. American Telephone & Telegraph Co. owns 11,528,585 shares (99.81%) of presently outstanding stock.

Western Hills Inn, Fort Worth, Texas
Jan. 31 filed 200,000 shares of capital stock (no par). **Price**—$5 per share. **Proceeds**—Together with other funds, to construct, furnish and equip hotel to be built between Dallas and Fort Worth, Texas. **Underwriter**—Schwanz & Co., Inc., Aurora, Ill.

● Western Light & Telephone Co., Inc.
March 30 filed 57,092 shares of common stock (par $10) being offered for subscription by common stockholders at rate of one new share for each seven shares held as of April 15; rights to expire on May 4. **Price**—$27 per share. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ Western Nebraska Oil & Uranium Co., Inc.
April 4 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development costs and working capital. **Office**—924 Broadway, Denver, Colo. **Underwriter**—Israel & Co., New York.

★ 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.

★ Yellow Queen Uranium Co.
April 1 (letter of notification) 1,425,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—208 First National Bank Building, Denver 2, Colo. **Underwriters** — Peters, Writer & Christensen, Inc., and Mountain States Securities Co., both of Denver, Colo.

★ York Country Farm Produce Co.
March 31 (letter of notification) 2,900 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Address**—P. O. Box 282, Rock Hill, N. C. **Underwriter**—None.

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.

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.
April 20 stockholders approved a new issue of not to exceed $650,000,000 convertible debentures. 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.
A9ril 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. So far, the company has arranged to sell $69,500,000 of securities to banks and institutional investors.

★ Beaumont Factors Corp., New York
April 20 it was announced company plans to raise additional funds through a debenture issue, details of which will be announced in near future (expected to amount to over $1,000,000). **Proceeds**—For expansion in volume of business activities. **Business**—A commercial finance company. **Office**—325 Lafayette St., New York 12, N. Y. **Underwriter**—None.

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.

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.

★ Cavendish Uranium Mines Corp.
April 19 it was announced company plans issue and sale of a debenture issue of several million dollars. **Proceeds**—For a concentrating mill, mining equipment and for underground development. **Underwriter**—James Anthony Securities Corp., New York.

Central Illinois Electric & Gas Co. (6/7)
March 28 it was reported company plans to issue and sell $4,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. **Bids**—Expected to be received on June 7. **Registration**—Planned for May 6.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, stated that company plans to issue and sell some additional common stock par $10 (probably to stockholders) in the latter part of 1955. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman Ripley & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly).

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**—857 Tenth Ave., New York, N. Y.

Commonwealth Edison Co.
Jan. 24, Willis Gale, Chairman, announced it should be Fall before the company undertakes its next financing. **Proceeds**—For new construction, which, it is estimated, will cost about $125,000,0000 in 1955. **Underwriters**—For last equity financing were The First Boston Corp. and Glore, Forgan & Co.

Community Telephone Co. of Wisconsin
March 28 it was reported company plans to issue and sell (to residents of Wisconsin) 14,000 shares of 5¾% cumulative preferred stock (par $25). **Underwriters**—Loewi & Co., Milwaukee, Wis.; and Bell & Farrell, Inc., Madison, Wis.

Consolidated Natural Gas Co. (6/2)
March 17 the directors approved a plan for offering up to 738,743 additional shares of capital stock for subscription by stockholders on the basis of one new share for each 10 shares held. The offering is tentatively scheduled for early in June. **Proceeds**—Principally to repay outstanding bank loans. **Underwriter**—None.

Consolidated Uranium Mines, Inc.
July 23, 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.
April 18, preferred stockholders approved creation of not to exceed an additional $25,000,000 of debentures or other indebtedness maturing later than one year after the date thereof. The company has no present plans for making any additional borrowings. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, both of New York.

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.

★ Denver & Rio Grande Western RR. (4/28)
Bids will be received by the company at 201 Rio Grande Building, Denver, Colo., up to noon (MST) on April 28 for the purchase from it of $2,340,000 equipment trust certificates, series T, to be dated June 1, 1955 and to mature semi-annually from Dec. 1, 1955 to June 1, 1970, inclusive. Probable Bidders: Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; Kidder, Peabody & Co.

Detroit Edison Co.
Jan. 21 it was announced stockholders on May 2 will vote on authorizing about $60,000,000 of convertible debentures. Previous offer of convertible debentures was made to stockholders without underwriting.

Doman Helicopters, Inc.
Feb. 17 Donald S. B. Waters, President, announced stockholders voted to increase authorized capital stock from 1,000,000 shares to 3,000,000 shares in anticipation of expansion of the company's activities. **Underwriter**—Previous financing handled by Greene & Co., New York.

★ Federation Bank & Trust Co.
April 13 it was announced stockholders will vote April 21 on approving an offering of 58,000 shares of additional capital stock (par $10) on basis of one new share for each five shares held. **Price**—$20 per share. **Proceeds**—To increase capital and surplus.

● Florida Power Corp.
April 14 it was announced company may issue and sell late in 1955 about $12,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp.

Ford Motor Co., Detroit, Mich.
March 15 it was reported that following a probable 10-for-1 stock split, an offering of approximately 4,000,000 new shares will be made to the public. **Price**—Expected to be around $60 per share. **Proceeds** — To the Ford Foundation. **Offering**—Probably in June.

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.

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.

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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. (4/21)
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.

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.
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.

★ **Lockheed Aircraft Corp.**
April 18 it was reported that company may offer about $30,000,000 of convertible debentures. **Underwriters**—Probably Blyth & Co., Inc. and Hornblower & Weeks.

★ **Long Island Lighting Co.**
April 19, Errol W. Doebler, President, announced that as additional funds will be required to finance construction, the company is contemplating the sale of about 650,000 shares of common stock in June or early July. Rights will again be offered to common stockholders to subscribe to the new stock, probably in the ratio of one new share for each ten shares held. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York.

Maine Central RR.
March 22 it was announced ICC had dropped its competitive bidding requirement on the proposed sale of $1,700,000 of new 23-year first mortgage collateral bonds due 1978. **Proceeds**—To redeem approximately $1,400,000 of 5% first mortgage divisional bonds which were sold in 1952 through Blair & Co. Incorporated, New York, and Coffin & Burr, Inc., Boston, Mass. May sell these bonds privately.

Maine Central RR.
Feb. 14, E. Spencer Miller, President, said company has not given up the idea of refunding the $17,000,000 5⅛% first mortgage and collateral trust bonds due 1978. Probable bidders for new bonds may include Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; W. C. Langley & Co.; Coffin & Burr, Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Glore, Forgan & Co.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Missouri Pacific RR.
Bids are expected to be received in April for an issue of $3,765,000 equipment trust certificates due 1956-1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair & Co. Incorporated; Kidder, Peabody & Co.

Murphy (G. C.) Co., McKeesport, Pa.
April 12 stockholders approved a proposal to increase the authorized limit of indebtedness from $8,000,000 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.

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 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.

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.

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.**
April 15 stockholders approved a proposal to increase 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.

★ **Reading Co.**
April 18 it was announced stockholders on June 7 will vote on increasing the authorized indebtedness of the company to $125,000,000. Funded debt at Dec. 31, 1954 totaled $84,077,350. If, in the future, the directors should deem it in the best interests of the company to issue bonds, the board will determine the amount of the issue and the terms and conditions of the bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ **Rheem Manufacturing Co.**
April 14 it was announced registration is planned late in April of 400,000 shares of common stock. **Proceeds**—To Bethlehem Steel Corp. the selling stockholder. **Underwriters**—Blyth & Co., Inc., Kuhn, Loeb & Co. and Smith, Barney & Co., all of New York.

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. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly).

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 [illegible] issue and sell to the public 500,000 additional shares [illegible] common stock (par $5). **Proceeds**—To repay bank lo[illegible]s and for investment in additional stock of subsidiar[illegible] companies. **Underwriter**—To be determined by comp[illegible]itive bid-

ding. 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.

★ Southland Frozen Foods, Inc.
April 18 it was reported company plans to offer $600,000 of 6% debentures and 60,000 shares of common stock. **Office**—160 Broadway, New York City. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York. **Offering**—Expected in June or July.

Southwestern Gas & Electric Co.
Jan. 17 it was reported company is planning to issue and sell $6,000,000 of cumulative preferred stock (par $100). **Proceeds**—To prepay bank loans and for construction program. **Underwriters**—To be determined by competitive bididng. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected in May or June, 1955.

★ Sterling Precision Instrument Corp., Buffalo, N. Y.
April 14 it was reported company plans to issue and sell $3,000,000 of convertible preferred stock.

Texas Eastern Transmission Corp.
Jan. 12, George T. Naff, President, referred to the possibility of some $85,000,000 in new financing when and if the company's current application for the reconversion of the Little Big Inch pipeline and the construction of the new natural gas facilities is launched. He indicated that it was possible that $40,000,000 of that assumed $85,000,000 new financing might be in the form of new first mortgage bonds, (to be placed privately), and that based upon the assumptions that he was making he believed that the remainder of the financing would be accomplished by the issuance of debentures and preferred stocks (he did not assume the sale of any comman stock). Plans for the possible issuance of new securities are not at all definite as yet, it was announced on March 4. **Underwriter**—Dillon, Read & Co., Inc., New York.

Texas 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.

● Trav-Ler Radio Corp.
April 15 it was reported company plans to issue and sell $1,250,000 12-year convertible debentures with stock purchase warrants (each $1,000 debenture to be accompanied by 100 warrants). **Underwriters**—Lee Higginson & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Registration**—Expected in near future.

Union Electric Co. of Missouri
Jan. 24 it was reported company expects to sell about $30,000,000 30-year first mortgage bonds late in 1955. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

United Aircraft Corp.
March 14 it was announced stockholders will on April 26 vote on approving a new issue of 500,000 shares of preference stock (par $100). **Proceeds**—To redeem present 5% cumulative preferred stock (233,500 shares outstanding), and for working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York.

United 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.

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 April 13 voted to approve 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.

Westpan Hydrocarbon Co.
March 2 it was announced Sinclair Oil Corp. has agreed with the SEC to divest itself of its investment of 384,380 shares of Westpan stock (52.8%). **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

Our Reporter's Report

Having rounded out the first quarter, many of the underwriting houses are now beginning to check into their earnings prospects for the balance of the year.

And while there is no tendency to stand up and cheer over the outlook, neither is there any real apprehension over the situation. But some are convinced, none-theless, that the current 12 months will not match the 1954 period in returns on capital.

Feeling in such quarters is that this could prove a "key" year in determining whether the industry is destined to work for smaller profits through the balance of the current cycle.

Where a given firm has memberships in the stock exchanges the results naturally are better, mirroring the rather intense activity in trading in those markets. The rank and file of underwriters made money in the first quarter, but with few exceptions the returns were below a year ago.

In fact, it would not be surprising, if things do not pick up in the months ahead, if plans of some for expansion of their operations might not come in for a second look. Reserves set aside for such purposes naturally loom larger as current earnings taper off.

Meantime the forward calendar of new issues continues on the anemic side with a number of corporations going direct to their stockholders for needed new capital via "rights" or using the private placement route.

Money Rates

Washington, it is said, is committed to keeping money easy and in ample supply. But recent events in that direction suggest at least that a bit of caution prevails at the moment.

So far there has not been anything to suggest a change in the basic situation but there are indications of a bit of modification in such thinking.

Money is far from "tight." Yet underlying rates have been hardening as witness the firming up in rates for bankers' bills, and commercial paper and the more or less general mark up in central bank rediscount rates.

Presumably there is some apprehension in high quarters lest the current lusty upswing in general business, reflected chiefly in the automobile and steel lines get out of hand and top off right before the elections next year. That could account for the current slight application of the "brakes."

Demand Still Slow

Not so long ago institutional buyers were vehemently opposing efforts of industry to finance itself through the so-called 3% yield barrier. For weeks now yields on new issues have been substantially above that evidently irritating level.

But these investors are not inclined to budge very much. Tuesday's offering of $50,000,000 of Philadelphia Electric Co.'s first and refunding, 30-year 3¼s reportedly got off somewhat slowly, although competition for the issue was extremely keen. Bankers priced the bonds at 100.096 for an indicated yield of 3.12%.

Gulf Mobile & Ohio

Consensus was that Gulf, Mobile & Ohio's offering of $25,000,000 of 25-year bonds, up for bids today, could prove an attractive operation. Competition was expected to be keen.

Carrying an "A" rating, this issue is being floated by the carrier to finance the retirement of certain of its outstanding fixed term obligations.

Market observers were hoping that bankers making the successful bid would be able to price the bonds for reoffering on a basis to yield somewhere between 3.50% and 3.60% which they feel would provide real investor incentive.

Blyth Group Offers Pacific Lighting Stk.

A group headed by Blyth & Co., Inc. is offering publicly today (April 21) 600,000 shares of Pacific Lighting Corp. common stock, (without par value) priced at $40 a share.

Proceeds to the company will be used to repay in full bank loans of $8,500,000 used for construction programs of subsidiaries. The balance of the proceeds will be used to finance further construction and for general corporate purposes.

The company has paid dividends on its common stock every year since 1908. Since November, 1953, it has paid dividends at the rate of $2.00 per share each year.

Pacific Lighting Corp. is a holding company of public utilities supplying natural gas in Southern California, principally in and about Los Angeles. Its subsidiaries are Southern California Gas Co., Southern Counties Gas Co. of California and Pacific Lighting Gas Supply Co.

Two With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Christopher W. Binyon and Ervin D. Hoyt are with Founders Mutual Depositor Corp., First National Bank Bldg.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Ralph H. Demmler is said to be one of those unique individuals who confronted the question of whether he would remain a Federal official or return to the practice of law, and so decided in favor of the latter and resigned as Chairman of the SEC.

Mr. Demmler became Chairman June 17, 1953. He had been a member of the law firm of Reed, Smith, Shaw and McClay of Pittsburgh. He is planning a long vacation when J. Sinclair Armstrong, a former Chicago lawyer, is confirmed as his successor. After his vacation, he expects to return to the practice of law in Pittsburgh.

The resignation was not due, it was explained, to any dissatisfaction of any kind. "Mr. Demmler just thought he would have to decide between making a career out of government or returning to the practice law," it was explained.

Agencies Face Reckoning

Within a short time the Eisenhower Administration is going to have an acute case of consulting the conscience on whether it will take seriously the ideas of the Hoover Commission.

For within a week or so, now, the many agencies affected by the recommendations of the Hoover Commission will start sending in their comments to the Budget Bureau on what they think about the Commission's recommendations as they affect their agencies.

The problem is illustrated most aptly by the Commission's report on the 104 Federal entities which in one form or another are in the business of lending money, insuring, and guaranteeing loans, with an aggregate contingent liability placed by the Commission at $244 billion.

The Hoover Commission proposed sweeping reforms to eliminate Federal subsidies, direct and indirect. The Rural Electrification Administration, for instance, probably doesn't get from its so-called "cooperative" wards a sum equal to much more than half the true cost of the capital, and REA is genuinely a sacred cow among Republicans and Democrats alike, having become one of the biggest of the new vested interests of the Welfare State.

Or there is the example of the housing agencies, which have sparked a housing boom while backing easier housing mortgage loans for less and less down and with longer and longer terms of repayment. The Commission widely criticized the looseness of housing loans and the broadness of the Federal risk.

Budget Asks Reports

Rowland Hughes, the Director of the Budget, sent out a directive to all agencies the subject of Hoover Commission recommendations, asking them to comment upon these recommendations in relation to their functions.

In effect the directive also appears to ask the agencies which of these recommendations could be put into effect by Executive or internal administrative order, and which would require legislation.

This directive would suggest that the White House is backing the Hoover Commission 100%, but this, however, is not the case. The Budget bureau is the initial chore boy and sorter out for the White House. Hence such a directive is routine. It is probably less than routine with Mr. Hughes, however, for he is one of the conservatives of the Administration.

It can be taken as a certainty that the reply of most every Federal agency will consist of reams of esoteric rhetoric which will say, in effect, that "we don't like it," about what the Hoover Commission suggests.

Then, when the reports are in, the White House will be confronted with the question of what to do about a lot of agencies that don't want to let go of subsidies, as the Hoover Commission recommended.

What the answer of the White House will be, will not be difficult to guess. For, since two years ago consenting to the setting up of the Hoover Commission the White House has, especially respecting government-insured and guaranteed credit, embraced the idea enthusiastically on a dozen major fronts. The White House indicates no stomach for tightening up on government-inspired and subsidized credit, but rather, the reverse.

Government Backs New Wage Round

There is a considerable undercurrent of feeling that the Eisenhower Administration in effect is giving by example strong backing to organized labor's demand for a substantial raise in wages in 1955, even if the example is not one directly for the guaranteed annual wage.

For the Eisenhower Administration is agreeable to a boost of 7.6% in the pay of Federal employees, and has raised the pay of the military. The employee pay raise is held up because the Democratic leadership of the pertinent committees, and many Republicans, also, want a clean 10% pay raise cut out of the taxpayers' hides, as against the 7.6% the Eisenhower Administration is willing to stand for.

However, the fact remains, it is pointed out, that the government is backing one substantial pay raise for its own employees on the eve of the organized labor pitch to get more money. Furthermore, the government is in there also nicely backing "fringe" benefits. Last year the Administration got legislation to give Federal employees group life insurance at a nominal cost. This year, it has been widely reported, the Eisenhower Administration will back some scheme to give Federal workers group health insurance as well, although the details of the Administration's plan on this score had not been made available, at writing, to Congress.

If some bitter labor strife develops over the seemingly determined labor drive for higher wages, and this strife results in extensive and bitter strikes, the government will have a hard time playing the role of impartial mediator, for it, itself, is setting the example of a large increase and "fringe" benefits.

IFC Plan Comes Out on Beam

As announced last week by the World Bank, the proposed International Finance Corp. comes right out on the beam. It was planned as a very modest boondoggle to throw to the Latinos, who ever since they didn't get their $500 million of several years ago, have been sore.

When General Marshall went to one of the postwar conferences at Caracas, as Secretary of State, he allegedly agreed to see to it the Export-Import Bank would get $500 million to dole out in Latin-American loans. The idea was that the Ex-Im Bank, which had been pretty careful about setting up loans so it would get the money back, would be most openhanded with the thought of winning friends and influencing Latin governments.

Word of this intention, not so candidly admitted, of course, got to the redoubtable Jesse P. Wolcott, Chairman of the House Banking Committee. The Senate had voted the Truman Administration the $500 million Truman requested for this purpose. Mr. Wolcott just never brought up the subject before the Banking Committee, and the U. S. Treasury is hence less poor by $500 million.

Treasury Secretary Humphrey apparently was the man who took on the chin this year the blows struck by the Latinos for some easy Treasury money, as the "cut" of Latin America in the swag to keep the whole world working on the U. S. side in the cold war.

So in place of a big open or covert bribe, comes the proposed International Finance Corp., approved in advance by President Eisenhower.

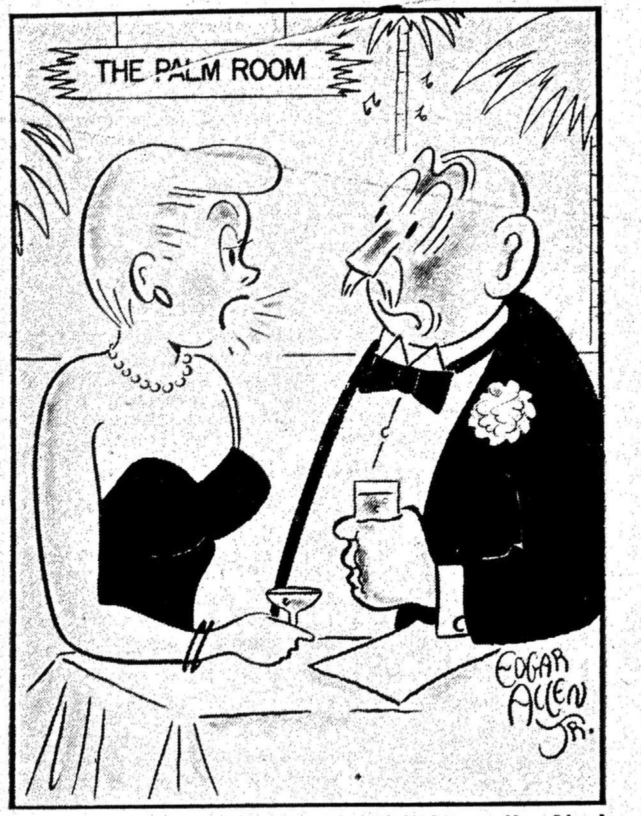
This agency will be modest. It will make loans in partnership with private individuals, whether of the "receiving" country or in the United States, to foster private enterprise. The maximum capital of the IFC would be $100 million, but it probably wouldn't raise more than $75 million if ratified.

Furthermore — and this emphasizes the limited character of the operation — the World Bank announced that the IFC would not go into the market and sell its securities to raise more investment funds "during the early years" of its operation.

All the same, the IFC, if ratified by a sufficient number of countries to get it going, would provide a handy gadget for use in dispersing taxpayer resources when and if the Federal Government ever runs out of objects on which to spend money.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"What difference does it make if it IS on the Stock Exchange?—I still say a real gentleman would offer a lady his seat!"

Business Man's Bookshelf

Death Tax Treaties: A Comparison of Basic Provisions—Franz Martin Joseph—Matthew Bender & Company, Inc., New York City (paper).

Government—An Ideal Concept—Leonard E. Read — Foundation for Economic Education, Inc., Irving-on-Hudson, N. Y. (cloth) $2; (paper, $1.50).

Great Crash 1929—John Kenneth Galbraith — Houghton Mifflin Company, Boston, Mass (cloth) $3.

How to Help Your Handicapped Child—Samuel M. Wishik, M.D. —Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper) 25c.

Industrial Application of Atomic Energy—Dr. Lawrence R. Hafstad — The Chase Manhattan Bank, Pine Street corner of Nassau, New York 15, N. Y. (paper).

Pension Plan for Small Businesses—Marc De Goumois, 7-03—154th Street, Whitestone 57, New York (paper).

Richest Man in Babylon—George S. Clason — Hawthorn Books, Inc., 70 Fifth Avenue, New York 1, N. Y. (cloth), $2.95.