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EDITORIAL

As We See It

It is natural enough, we suppose, that each of the major parties should now be so occupied with the restoration of "unity" within its own organization. The immediate worry of the Democratic party appears to be the old, old question of the Southern members with their ideas about dealing with the Negro race — and the closely related matter of the standing of members who bolted in 1952. But, of course, there are wide differences, not to say bitterness, at many other points. In the Republican party, we have the so-called Eisenhower Republicans and the "old guard," formerly led by Senator Taft and now lacking such leadership as the late Senator could and did give it. But to leave the matter there would be to oversimplify the problems of the GOP. On many other questions the party finds itself far, far from a unit.

No organization, political or other, can hope to function with maximum efficiency when it is unable to marshal much the larger portion of its membership solidly behind its main objectives. A political party must obviously be particularly ineffective so far as public policy is concerned if it is so divided that it dare not be explicit and forthright about basic questions of the day—and this is the situation now existing in both the major parties of this country. In such circumstances a party can often function only as an instrument for the political advancement of its members, and it becomes an easy prey of those who would use such situations for ends of their own. We doubt whether any one in his right

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A Positive Investment Program for 1955-1956

By PHILIP J. FITZGERALD*

Partner, Dean Witter & Co., San Francisco, Calif.
Members, New York Stock Exchange

After comparing today's stock market with that of 1929, Mr. FitzGerald finds that the great difference today lies in the well-informed nature of cash buying. Says though today's stock prices seem high, they actually provide eminently fair investment values. Holds it is quite possible that stock market will be faced with a showdown in Formosa and a labor crisis over the guaranteed annual wage, but says investors generally expect a skirmish rather than an all-out conflict. Sees business confidence in Eisenhower leadership.

Today's market is far harder to appraise than the market in March, 1950, which was so inherently cheap that it was easy to foresee the 50% advance that lay ahead. In April, 1953, the aircraft shares seemed so cheap that it was easy to bypass the market for the bargains that could be found in that group. I am sorry I cannot bring to the attention of today's meeting a comparable group of investment leaders which are selling at only two to three times the earnings that are in sight for 1956, and whose next year's dividends will provide yields of between 20% and 40% on today's prices.

Philip J. FitzGerald

Before considering the market's prospects, I should like to establish: (1) The essential differences between the stock market today and the market in 1929; (2) The well-informed and permanent character of the cash buying which has carried the stock market forward in the 1950's; and (3) The essential fairness of today's invest-

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*An address by Mr. FitzGerald before the Eighth Annual Convention of the National Federation of Financial Analysts Societies, New York City, May 10, 1955.

Utilities Return To Fund Favor

By HENRY ANSBACHER LONG

Electric light and power issues bought by the investment companies during first quarter, after previous pronounced profit-taking. Oils continue as best liked group along with the non-ferrous metals and rails. Food, machinery, drug and air transport issues well-bought; with steels remaining popular but with dampened enthusiasm. Buying of General Motors stimulated by large rights offering. Pronounced profit-taking again evident in the aircrafts; with the electrical equipments, natural gas and merchandising companies also being lightened on balance.

Electric light and power issues returned to favor with investment company management during the first quarter of 1955 after having been subjected to pronounced profit-taking in the final months of the previous year. Oils continued to be the most popular group, however, with the utilities occupying second place. Purchases of non-ferrous metals increased over those of the fourth 1954 quarter and rails continued to get high billing. Purchases in the auto division received a considerable lift from the General Motors rights offering and the food, machinery and drug issues were well thought of. Some profit-taking was noticeable in the steel stocks, particularly by Wellington Fund. Although buyers still predominated in this latter group, purchases were cut in half while selling doubled over that of the previous three months. Profits also continued to be taken in the aircrafts in marked contrast with the buying enthusiasm shown for the air transports. The major electrical equipments, General Electric and Westinghouse, met considerable offerings and the merchandising issues, along with a newcomer in the bearish line-up, the natural gas division, also

Henry A. Long

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PICTURES IN THIS ISSUE—Candid pictures taken during the course of the 20th Annual Meeting of the TEXAS GROUP of the Investment Bankers Association in Houston, appear on pages 27 to 40 inclusive.

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

United Biscuit Company—Irving Komanoff, Herzfeld & Stern, New York City. (Page 2)

Outboard Marine & Manufacturing Co.—George A. Kuhnreich, Security Analyst, Cowen & Co., New York City. (Page 2)

IRVING KOMANOFF

Herzfeld & Stern, New York City

United Biscuit

At a time when the industrial averages have reached their highest point, it is obvious that the utmost discrimination must be exercised by the prudent investor in selecting any new commitments.

I. Komanoff

With the majority of well-known good grade common stocks selling at unusually high price-earnings ratios and tending to discount very liberally any foreseeable earnings improvement it would appear most difficult to single out a good quality common stock that at this time is very reasonably priced and has not yet begun to discount a potential sharp earnings improvement.

However, in the common stock of United Biscuit now selling around 29, one has an opportunity to buy exceptional value with a most unusual and attractive probability of substantial appreciation over the next year. Here is a stock thoroughly deflated—selling now more than 10 points below its 1954 high and below a price at which it has sold in each of the last seven years—yet where the beginning of a substantial increase in earning power is already discernible.

United Biscuit is the third largest company in the cracker, biscuit and cookie field and accounts for more than 16% of total domestic output. It is not as well known in this area as the two larger factors in the industry (National and Sunshine), since the bulk of its sales and operations is in the Middle West and Rocky Mountain states, with the South and the South West ranking next in importance in this company's business. Thus under the impetus of a sharply increasing population in the areas in which it operates, sales have been and will continue to be in a persistent uptrend.

The earnings of United Biscuit have been sharply depressed since the middle of 1953 by non-recurring factors which now give every evidence of having run their course. These factors can be ascribed briefly and directly to a voluntary plant expansion program which necessitated breaking in new plants and installing new and automatic ovens. This expansion caused a sharp increase in expenses which for a time cut deeply into profits. Thus in 1954 earnings of UBS dropped from the $4 per share level to $1.45, primarily because of these non-recurring factors rather than because of any falling off in sales.

It is now obvious that the low point of earnings has already passed and that substantial improvement has begun. The first quarter of 1955 has produced earnings of $.68 per share as against $.40 in the corresponding quarter a year ago. For the year 1955 a reasonable expectation of earnings would be at least double that of 1954, to approximate $3.00 per share with an earnings rate that could conceivably reach between $4.00 and $4.50 per share by the beginning of next year. In fact, with the plant expansion program and new machinery installation now completed, it is not beyond the realm of possibility for United Biscuit's earnings to go back to the level of over $5.00 per share attained six and seven years ago.

In July of 1954 United Biscuit reduced its dividend from $.50 quarterly to $.25, which is the current rate. With a sharp earnings improvement now under way, it is most logical to expect an increase in the dividend to its former level, possibly in two or three steps. In fact, management has already stated its intention to restore the common dividend to its former level, once a permanent recovery of its earning power has been accomplished.

With National Biscuit and Sunshine Biscuit selling at about 17 times earnings per share, it would seem reasonable to evaluate UBS common at a price-earnings ratio of about 13 times earnings per share. With current earnings at a $3.00 rate and promising to reach a minimum $4.00 annual rate in early 1956, it is conceivable that United Biscuit could sell at a price between 39 and 52 over the next year, particularly if dividends should go back to the levels of 1950-53. Furthermore, in connection with dividends, it should be pointed out that UBS has an uninterrupted dividend record since 1928 and that its financial position is excellent.

Although it is certainly not of blue chip quality, United Biscuit has every right to be classified as a good grade common stock featuring the unusual attribute of thorough deflation in price at the very inception of a sharp earnings recovery.

In summary, therefore, the common stock of United Biscuit at its present price of around 29 would seem a most attractive investment offering good profit possibilities with comparatively little risk. The writer personally has invested in UBS which is listed on the New York Stock Exchange.

GEORGE A. KUHNREICH

Security Analyst

Cowen & Co., New York City

Members New York Stock Exchange and American Stock Exchange

Outboard Marine & Manufacturing

On the threshold of a new yachting and boating era, the Outboard Marine & Manufacturing Company, leading manufacturer of outboard engines, is entering an unprecedented growth period. In 1947 this country had some two million outboard engines in use. Today, there are over four million in operation and new developments may well increase ownership threefold. Until a few years ago, yachting was considered as the hobby of the upper income brackets. Cabin cruisers with inboard engines sold from about $4,000 upwards to $40,000. In order to reach the mass market, motor boat manufacturers introduced a new type of outboard cruiser. This ship, essentially of construction similar to the inboard cruiser, is designed for outboard power and sells for about $1,200. Initial consumer acceptance was good, but there still remained the noisiness, as well as "Knuckle Busting" starting mechanisms of the outboard engine. Outboard Marine has solved this difficulty with the introduction of a noiseless, as well as automatic starting engine. Today, the difference between an inboard and outboard cruiser is primarily one of cost. With the new innovations, yachting has now become part of the public domain. Industry sources confidently predict that nearly 50 million people will participate in this popular form of recreation within the next decade.

George A. Kuhnreich

Outboard Marine is the largest manufacturer of outboard engines. Models range from the three horsepower Fisherman type engine to the powerful two cylinder 25 hp. motor. These machines are sold through some 15,000 retail outlets in the United States and Canada under the well known trade names of Evinrude, Johnson and Gale. The company's unbranded engines are sold through Montgomery Ward and other large retailers.

The company handled over 50% of total 1954 United States outboard sales. The new noiseless, as well as self-starting engines give Outboard a sharp edge over competitors and it is anticipated that its share of the overall market will experience a substantial rise.

While outboard engines are the company's prime products, power lawn mowers have made an impressive sales showing. Through the acquisition of RPM Mfg. Co., Outboard Marine found itself in the power lawn mower field. This wholly owned subsidiary acquired in 1952, is today the largest producer of rotary power mowers. With the growing trend toward suburban living, this division should do extremely well. Though the sale of outboard engines is still of predominant importance, power lawn mower revenues rolled up an impressive 15% of total 1954 sales volume.

The sales record of the company has been sensational. From the $27 million mark in 1950, volume has steadily increased to a record $73.4 million for 1954. Current sales are ahead of last year's record and 1955 volume should approach $90 million. As the company expects to operate on a 20% pretax profit margin, 1955 earnings should approach the $4 a share level as compared with $2.55 for 1954 and $1.41 in 1953. Capitalization consists of $7,490,000 long-term debt and 2,138,487 shares of common (83⅓c par).

The longer-term outlet is even more favorable. With an expected participation in the boating field by 50 million people, Outboard's sales should continue to show substantial improvements with commensurate earnings gains.

The present dividend payment of $1 is well covered and affords a yield of 2.9%. As the company has traditionally paid out 50% of its earnings, liberalization of the present dividend is expected. This company's common stock, currently quoted at about 40 (1954-1955 range: 23-38), is listed on the New York Stock Exchange.

Joins Logan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David T. Fleischman is now with J. Logan & Co., 210 West Seventh Street.

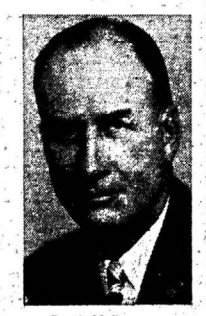
Trends in the Market

By RUDOLF SMUTNY*

Senior Partner, Salomon Bros. & Hutzler, New York City
Members, New York Stock Exchange

In discussing the bond market, Mr. Smutny ascribes recent downward trend to pressures consistently maintained by the monetary authorities, but points out, because of reduced volume of new issues, the downturn has been slight, but in "a state of delicate balance." Reviews situations of various categories of bonds and preferred stocks. Sees common stocks playing an increasing role in pension trust investment, because they bolster income yield and "are safer than they seem." Holds pension fund investing seems growing more liberal.

Studying "Trends in the Market" is a job we at Salomon Bros. & Hutzler have been doing in our trading room every working day for 45 years for the benefit of our customers, without the benefit of a crystal ball, so you might say we've had some previous practice at it.



Rudolf Smutny

First, let us consider the present state of the bond market. As you know, conditions in the bond market hinge largely on the supply of, and demand for, money, as modified by the efforts of the monetary authorities to maintain a healthy balance in the national economy. Around the middle of last year the policy of less active ease in the money market began to emerge as a bond market factor, and became progressively more intense in the closing months of the year. So far this year we have had a high level of business activity, with a very lively demand for mortgage financing and consumer financing. And the monetary authorities have subjected the market to consistent pressure which last month culminated in an increase in the Federal Reserve rediscount rate, and increased upward pressure on commercial bank prime loan rates. This followed a 10% increase to 60% in the required margin for stock purchases, which has since been raised to 70%. In addition, the monetary authorities have also announced that bankers acceptances are to be included with Treasury bills in the media available to the Open Market Committee for the regulation of the money market.

As a result of the pressures so consistently maintained by the monetary authorities, the bond market has bumped into the lid of slightly tighter money, and so has tended to drift downward. In the middle of April, for example, at the time I jotted down these notes, the long-term United States Treasury 2½% issues, bonds at the pinnacle of the credit scale, were only fractionally above their 1954-55 lows. On the other hand, a direct placement issue of medium quality was negotiated at a cost to the borrower of about three-eighths of 1% more than that company would have had to pay for its money six to nine months earlier. In between these credit categories, in the general market, corporate bond prices drifted only moderately lower despite the pressures at work in the money market. This was due to the fact that the volume of new issues coming out has been relatively small in the last few months. In the municipal market, prices eased substantially, and then moved moderately higher. In fact, the "dollar quoted" revenue bonds, such as the great turnpike issues, moved back to, or within easy reach of, their 1954-55 highs. Their stability, in the face of somewhat more stringent money market conditions, was probably due in some measure to the indefinite postponement of several large turnpike issues, which development cut down considerably the total of new tax-exempt flotations for the immediate future.

So at the present time the bond market is in a state of delicate balance. United States Treasury bonds are close to the 1954-55 lows. Corporate and municipal obligations have fared somewhat better. Now for the $64 question—what lies ahead; what are the trends in the market?

The Outlook for Long-Term Money

At the beginning of each year some members of our organization sit down with a group of institutional investment officers to try and arrive at a forecast of the potential demand for long-term money during the course of the year, and the probable supply of long-term investments. This year the results of their deliberations were published in February. It would be pretty difficult to try at this meeting to go through the figures they assembled. However, their end result indicated that for the year 1955 the supply of long-term investments would exceed the supply of long-term funds seeking investment. This study, therefore, would indicate that the downward drift in bond prices could be expected to continue in the months ahead.

Furthermore, we are currently experiencing a level of economic activity sufficiently high to have occasioned some concern in the minds of those whose task it is to keep the national economy in balance—to head off booms which are liable to end up in busts. And, as long as booming economic conditions prevail, it is logical to assume that the concern of the monetary authorities will continue to be evidenced by pressure on

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*An address by Mr. Smutny before the 49th Annual Conference of the Municipal Finance Officers Association, New Orleans, La., May 5, 1955.

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Canadian Distributors of Gas—Natural and Liquid

By IRA U. COBLEIGH

Enterprise Economist

Some reflections and projections on a number of expanding Canadian enterprises profiting from distribution of natural, propane and butane gases.

So much has been said and written about the burgeoning production of natural gas (and oil) in Canada, that actual delivery of the product and its pipeless cousin, Liquid Propane Gas, to the consumer has been rather lost sight of. Especially unheralded have been a number of smaller Canadian distributing companies, relatively unknown to the rank and file of American investors, but which offer vistas of growth somewhat reminiscent of Republic Natural Gas, General Gas Corporation, or Suburban Propane Gas Corporation in the United States.

Ira U. Cobleigh

Natural gas, of course, needs no special introduction here. In West Canada, however, a problem has arisen in that more gas is being turned out than can be currently consumed locally. This situation has led to plans for gas export to the U. S. West Coast, and piping to East Canada—plans with which you are, no doubt, already familiar. So we'll not talk about them. We will, however, discuss the more local prospects for expanded gas sales through some interesting companies. We'll also see what's happening out where the pipelines end—and L. P. G., delivered by truck, takes over.

Great Northern Gas, Ltd.

Our first nominee for consideration is Great Northern Gas Utilities, Ltd. We will present some data about this, gleaned from a prospectus dated April 7, 1955. This is a holding company, owning all the stock of Plains-Western Gas & Electric Co. Ltd. and Bottled Gas Ltd., and 80.4% of the preferred and 69% of the common of Great Northern Gas Company, Limited.

The first named subsidiary, Plains-Western Gas, supplies natural gas to a series of towns and cities in Alberta and British Columbia, including Athabasca, Barrhead, Calmar, Drumheller, Fort St. John, Hanna, Leduc Calmar, Morinville, St. Paul Settler and Westlock; and electric power in Yellowknife, N. W. Territories (famous for gold and probable for uranium).

The second subsidiary, Great Northern Gas Company, Limited, sells manufactured gas in Sault St. Marie, Ontario (population around 50,000) and, through an affiliate (North Shore Propane), bottled gas not only in Sault Ste. Marie, but in a number of towns in the fabulous Blind River areas, where some of the most important radioactive ore bodies on the North American continent have been located.

The combined gross earnings of these related companies have displayed pleasing growth, moving up from $131,000 in 1946 to $570,532 in 1954. Expenses attached to assimilating these properties are over and past; and from now on the parent company should present a somewhat less complicated balance sheet. For the investor in Great Northern Gas Utilities Ltd., there's an assortment of securities (1) 4½% debentures due 1975 bearing warrants to purchase 40 shares of common (per $500 debenture) to Dec. 14, 1958 at $5 a share; and $1 a year higher for each year through 1963; (2) $750,000 of $2.50 preferred and (3) 616,140 shares of common. If you're in a shopping mood, the bonds sell at 103, the warrants at $2.85, and the common at 6 (Canadian Funds).

Here, then, is a property in quite an early corporate stage delivering gas in Canadian communities which are growing rapidly in population, industrialization, and in the development of mineral resources. The bonds have a gimmick, the warrants quite a bit of speculative glamor, and the common has some reason to look for larger earnings, and dividends later on. Great Northern Gas Utilities, Ltd. is a company not without promise.

Superior Propane, Ltd.

Another company, this one a specialist in L. P. G., is Superior Propane, Ltd., formed in 1951 to take over the bottled gas retailing formerly done in the Province of Ontario by Imperial Oil Company's Essotane division. Superior thus benefits from eminent parentage, and derives its entire gas supply under contracts with Imperial.

Superior has bulk storage plants in eight Ontario communities including Guelph and Kingston. In popularizing LPG for household cooking and heating, commercial, farm and industrial use, Superior is building up gross revenues at a rapid rate. For example, sales total has risen from $1,126,400 in 1952 to $2,855,518 for 1954 (fiscal year ends Nov. 30). In the same period gas sales doubled. This is quite amazing when you consider that Superior sales income for 1954 is almost exactly the same as the balance sheet value of its assets.

Superior Propane common (358,340 shares outstanding) is listed in Toronto. The 1954-5 price range is from a low of 3½ to a high of 9¾. The stock should earn 55c this year; and if you project the present rate of growth in sales for the next five years, you'd be surprised at where the stock should sell. There's also a growing market in its appliance sales. Perhaps Superior may prove a superior performer. Quoted now at 8½.

Mid-Western Industrial, Ltd.

Further, may we direct your attention to Mid-Western Industrial Gas Ltd., and especially its recent issue of $2 million of 5% secured notes due April 1, 1970. These bear warrants (in respect to each $1,000 bond) for the purchase of 100 common shares at $2.75 till April 1, 1956 and scaling up 50c a year until April 1, 1960 when the option dies. They now sell at 104.

Mid-Western was incorporated in 1952 for two particular purposes: (1) to acquire and develop West Canada natural gas reserves, and (2) to sell gas to industrial users. Taking these up, one at a time, the company now has proven gas reserves of above 158 million cubic feet, plus probable reserves of an additional 49 million. Mid-Western also holds oil and gas interests in 168,000 undeveloped acres in Saskatchewan and Manitoba. These are the resources on the basis of which the company is to deliver gas to the Sherritt-Gordon nickel refinery at Fort Saskatchewan, Alberta, for the next 19 years, and to Calgary Power, Ltd. for 10 years from Oct. 1, 1956.

Of course, earnings from the Calgary Power contract are a year off but the Sherritt-Gordon contract is estimated to create, this year, gross of $336,000 and a net before write-offs and income taxes of about $30,000. Thus this Mid-Western situation is essentially a progressive one—one that should improve in two ways. First, important oil or gas reserves may be found on the undeveloped acreage; and second, expanded deliveries under the long-term contracts, cited above, will result in far larger earnings over time.

Inland Natural Gas, Ltd.

Another company in an early phase is Inland Natural Gas Co. Ltd. created in 1952 as a holding company to transport and distribute, under franchise from West Coast Transmission Co. Ltd., natural gas in British Columbia. Some of the communities scheduled to be served include Prince George, Kamloops Quesnel, Merritt and Princeton.

Inland Natural Gas also owns natural gas reserves estimated at $4,500,000 in two land and exploration companies, plus an 18 mile pipeline (Peace River Transmission Co. Ltd.) and another line (Grand Prairie Transmission Co. Ltd.) 55 miles long, delivering gas from the Roycroft field to a number of growing towns in Northern Alberta. The big play here is in the British Columbia development potential, and Inland Natural Gas common may be said to afford a quite alluring long range speculation at its present price around $3.40. There are 2,175,000 common shares outstanding.

Canadian Hydrocarbons, Ltd.

Some glamor is attached to the new shares of Canadian Hydrocarbons, Ltd. offered recently to shareholders of Winnipeg and Central Gas Company at $7.50 per share. This is a propane company, and it will also own an office building. It may have a bright future.

In this piece today, we have, deliberately, not touched upon the big ones like International Utilities; but have rather contented ourselves to present a small assortment of gas companies, quite young in corporate development, where the buyer, not averse to some risk, can ride a fairly predictable growth curve. And if any company noted here can travel as far and as fast as General Gas Corporation (of Louisiana) has since 1937, then we've really previewed a growth stock!

Forms Harry Simmons Co.

Harry Simmons is engaging in a securities business from offices at 40 Exchange Place, New York City, under the firm name of Harry Simmons Co.

Sire Plan Portfolios

Sire Plan Portfolios, Inc. has been formed with offices at 55 Broadway, New York City, to conduct a securities business. Albert Mintzer is a principal of the firm.

Second District Secs. Co.

The firm name of M. A. Schapiro & Co., Inc., 1 Wall Street, New York City, has been changed to Second District Securities Co., Inc.

Now Mid-Texas Inc. Co.

DALLAS, Tex.—The firm name of Mid-Texas Trust & Insurance Securities Corporation, 820 North Harwood, has been changed to Mid-Texas Investment Company.

The State of Trade and Industry

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

With many lines of manufacturing reaching or surpassing peak levels the past week, over-all industrial production for the country-at-large reflected some slight further gain. The reappearance of a small gray market in some steel products contrasted with the situation a year ago when orders and inventories were in process of reduction.

Some increase in employment took place as seasonal outdoor work was resumed, although in some areas, it was reported, lumbering, construction and farming were restricted because of bad weather. In most states claims for unemployment compensation continued to fall.

Manufacturing and trade sales reached $52,400,000,000 in March, or $6,500,000,000 above February and $4,400,000,000 above a year earlier. The United States Department of Commerce noted that manufacturers, wholesalers and retailers all shared in the rise. Wholesalers' March volume of $9,700,000,000 was their highest since October, 1953.

Steel production is well on its way to a record first half and if the present pace continues, all previous predictions for the year will be knocked into a cocked hat, states "The Iron Age," national metalworking weekly.

It is conceivable that 1955 production will exceed the 1953 record of 111,600,000 tons, barring an unexpected fourth quarter letdown or labor trouble in automotive or steel. The chances are that both industries will settle their negotiations peaceably, this trade weekly adds.

Despite record production last week and an ever hotter pace this week, the mills still find their backlogs growing. Incoming orders continue to exceed industry capacity and it will take a full month's production of some products to catch up with delivery promises, it points out.

Steel producers are amazed at the depth and strength of demand. As a result, they are raising their sights on expansion plans and pushing for earlier completion. A new round of expansion and modernization rivaling the immediate postwar buildup is under way.

Still leading the pace is automotive. This industry currently is taking 25% of all steel shipments and clamoring for more. Normally, the auto industry consumes an average of 20% of steel production. Furthermore, there is no let up in sight. The auto companies are delaying introduction of new models since current models are selling as fast as they come off the production lines, declares this trade journal.

At any rate, other consumers are not counting on relief in the pressure from Detroit and industry generally. Some have placed tentative orders for delivery of sheets in the fourth quarter just to be on the safe side.

Meanwhile, another industry, railroads, is adding its bit to the demand picture. The rails are a late starter and are applying the pressure for earlier than scheduled deliveries. Hard pressed mills are trying their best to accommodate them.

Domestic car and truck production is slated to dip less than 3% the past week as most manufacturers took a breather, following last week's record 216,629 completions.

"Ward's Automotive Reports" estimated the May 2-7 week programming at 179,365 cars and 31,160 trucks, compared to an all-time high of 184,279 cars and a two-year peak of 32,350 trucks for the week preceding.

Heat losses and mild labor disturbances reduced industry Saturday scheduling and component shortages also contributed to the temporary slump in construction. However, the past week's car and truck production is expected to be the third highest on record and almost 44% above the same 1954 week at 144,533 units.

In the latter period, General Motors and Ford Motor accounted for 85.1% of industry volume, compared to about 75.4% last week. Chevrolet and Ford, meantime, were being held to 41.6% of the May 2-7 car output against 52.4% in the same 1954 term. Elsewhere, Chrysler Corp. was up to 18.6% against 10.9%, American Motors at 2.9% from 1.7% and Studebaker-Packard to 3.0% from 1.6% a year ago.

Last week's car manufacture was highlighted by Saturday operations at 14 Ford assembly plants and the return of Kaiser car output after a 10-month lapse—since June 30, 1954. Willys car assembly has been temporarily halted. General Motors was also geared to build its 1,500,000th United States car of the year last week probably on Saturday. A heat walkout at Chrysler Tuesday and a labor flareup at Dodge last night crimped corporation output.

Truck erecting is being sparked by six-day work weeks at Diamond T and GMC, plus nine-hour shifts at International Harvester and Mack. Industry-wide, a total of 128,924 trucks were erected in April, including a 19-month high at I-H, two-year peaks at Mack and Dodge, an 18-month crest at Diamond T, a new monthly record at GMC and a 56-month top mark at Chevrolet.

Car manufacture last month reached 754,077 units, second only to March's 794,188. New monthly highs were set by Buick, Oldsmobile and Mercury.

To date in 1955 an estimated 3,063,118 cars and 424,295 trucks have been manufactured, almost 47% and 5% more than in like 1954—2,085,828 and 403,157. Combined car-truck volume is estimated at 3,487,413 units, 40% above a year ago output of 2,488,985 units.

Steel Production Set This Week at 96.7% of Capacity

The strong upward swing in steel production carried tonnage output to a new high of 2,328,800 net tons of steel for ingots and castings in the week ended May 8, says "Steel," the weekly magazine of metalworking, the current week.

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Observations . . .

By A. WILFRED MAY

TAX POLICIES AND THE STOCK MARKET

—Report From Washington—

Beyond the stimulus to Blue-Chip-iness arising from psychological elements, a tax factor supplies another important cause of this seemingly permanent and growing market characteristic. For, as the Fulbright Committee's Staff Report *FACTORS AFFECTING THE STOCK MARKET* points out, there is widespread acceptance of the conclusion that the Revenue Code's inadequate allowance of capital losses causes a disproportionate share of the total market demand to be focussed on the "prime" issues, and accentuates the neglect of the more speculative issues more likely to incur the inadequately treated losses.

A. Wilfred May

Such comment on the inadequacy of allowances for losses in the Report's chapter on Tax Policies and the Stock Market highlights the objectivity of the discussion, which is uniquely valuable in this area where special pleading generally is so rampant. In fact, the full discussion spelling out the impact of taxes, both corporate and individual, conforms to the entire Report's objectivity.

Impact of Corporate and Individual Taxes

Regarding the former category it points out: "The *corporate* income tax may produce opposing tendencies in stock prices. On the one hand, it may restrict the offerings of new equities, which would tend to drive up the price of existing issues. On the other hand, it may curtail the demand for new and existing issues by reducing earnings and prospective dividends. . . ."

The two-pronged market effect of the *individual* income tax is cited thus: "Opposing tendencies may also be observed in the impact of the individual income tax on the stock market; on the one hand, an increase in the level of individual rates decreases disposable income, tending to reduce the amount of personal savings available for investment. Moreover, it serves also to reduce the after-tax yield from any given volume of dividend payments, thereby reducing the differential between equities and tax-exempt securities. On the other hand, it may give added impetus to appreciation-minded investors to divert their investments toward common stocks with growth prospects in order to take advantage of the preferential taxation of capital gains."

Inadequate Treatment of Losses

While not forsaking their factual objectivity, the authors do seem to lend a sympathetic ear to the problem of more equitable treatment of capital losses. (Now capital losses may be offset against current year's capital gains and any unused losses may be carried forward and offset against future years' losses for five years. Additionally, an offset of capital losses up to $1,000 is permitted annually for the current and five succeeding years.)

"A primary purpose of loss offsets is to avoid the taxing of capital," the Report says. "An inadequate loss provision is the equivalent of a higher effective rate on gains. The recognition of capital losses is also essential to preserve investment in securities and taxpayer liquidity. . . . The present limited offset of capital losses against ordinary income is recognized to have an important bearing on the timing of realization. Taxpayers with realized losses are commonly under pressure to realize gains in order to avoid wasting the tax value of their losses. This accounts for the familiar pattern of tax selling near the end of the year when some security prices are under selling pressure. If more liberal offsets of capital losses against ordinary income were provided, taxpayers might be under less pressure to sell appreciated securities."

That Holding Period Problem

That controversial question of the holding period in classifying capital gains is defined and considered with an informative factual approach. The Report cites the purpose of the statutory distinction between long-term and short-term gains as primarily to limit the tax benefits of preferential tax treatment to bona fide investment transactions, with the avoidance of conferring such favor on speculative gains. It explains the purpose of averaging of gains on assets held for more than one taxable year, the realization of which might otherwise be bunched in one year and taxed at higher graduated rates. It then quotes important and surprising data compiled by the New York Stock Exchange showing that in the case of shares sold by public individuals, **those held from six months to one year represent 26% of transactions, and those held for over one year embody 48% of the transactions.** Finally posing the question how much shorter the holding period can be drawn without unduly encouraging speculative transactions, it concludes frankly that this cannot be decided a *priori*.

We are reminded historically that the length of the long-term holding period was progressively reduced from two years prior to 1934 to six months since 1942; and that between 1934 and 1938 there was a step-scale system in effect, providing for a reduction in the percentage inclusion of capital gains varying with the length of the time that the asset is held —with the scale in effect ranging from 100% inclusion for assets held up to one year, to 30% inclusion for assets held 10 years or more. While such a system is now advocated principally as a device for encouraging realization, it is pointed out that actually one of the principal reasons advanced for its repeal in 1938 was its tendency actually to postpone realization so as to take advantage of the stepped-down rate.

"Roll-Over" Proposal

Among the other interesting current proposals weighed here is that for "roll-over" treatment. These would provide for tax-free exchanges of capital assets in a manner similar to that now provided for gains on the sale of private homes. It would permit taxation of gains to be deferred until final realization of the asset—that is, conversion to consumption goods or investments of an entirely different character. An investor would not be taxed if the gains on the sale of an eligible asset were reinvested in similar assets within a prescribed period of time. A tax would be imposed on that portion of the gain not reinvested in a similar type of asset. This would remove the difficulty regarding capital losses, in permitting losses to be carried over indefinitely and offset against accumulated capital gains.

The Committee's framers of the Report append the favorable conclusion that "this proposal would appear to provide a solution to most of the problems of capital gains taxation. In particular it would avoid possible adverse economic effects of realization on the transfer of investments, and would automatically provide for averaging of losses and gains," but along with the realistic reservation that the implementation of such method presents practical problems of administration and enforcement.

* * *

To this writer, the controlling importance of one realistic snag to logically dictated reduction of the capital gains levy or to a warranted change in the method of imposing this tax must be realized; namely the extreme severity of the concurrent imposts in our graduated *personal* income tax rate schedule which ranges up to 91%, with an overall effective ceiling of 87%; and even a minimum individual income tax rate of 20%. In our real world (including the political sphere) this of course makes difficult the conferring of "favors" on the "smart and wealthy speculators."

VALUE NOTE OF THE WEEK

One important conclusion for the investing area from the Montgomery Ward doings of this week (the management changes and the stock's market behavior):—strong confirmation of the futility of trying to time short-term market swings on "news," in lieu of permanent and confident digging-in on value based situation.

Yale Economist Urges Wide Stock Ownership

Henry C. Wallich, Professor of Economics at Yale University, says this would strengthen the free-enterprise system by giving everybody a stake in it.

According to a Yale economist, the number of Americans owning stock is "surprisingly small for a country like ours, where many people have reasonably good incomes and also some savings."

Henry C. Wallich

Henry C. Wallich, Professor of Economics at Yale, conceded that there is some risk in stock ownership, but said that "if we believe in our free-enterprise system, it would follow that as many people as can afford it should own shares in our enterprises." He pointed out that only some one million persons now own stocks.

Widespread stock-ownership, he explained, strengthens the free-enterprise system by giving everybody a stake in it. He held that investment in the stock market would mean, in general, "a better return than on other forms of savings, a chance of participating, over a period of years, in the growth of the economy through the gradual appreciation of stocks, and a hedge if there should be further inflation."

Mr. Wallich, former Chief of the Federal Reserve Bank's Foreign Research Division and former Chief of the Intra-European Payments Branch of the Economic Cooperation Administration, warned that ordinarily great profits cannot be made in a short period of time on the stock market.

What can reasonably be expected is "gradual growth in line with the growth of our whole economy and good dividends," he said on the "Yale Interprets the News" program over WTIC (Hartford).

The Yale Professor maintained that "in relation to present profits and dividends, stocks today are much more conservatively priced than in 1929. One of the factors in the present price structure of stocks is the expectation that severe depressions now can be avoided."

This impression, he said, "has some substance. I don't believe that we have learned to stabilize the economy completely—far from it—but we have made some headway toward preventing extreme fluctuations."

He advised that before buying stocks, a man "should have some savings in liquid form and, of course, his insurance. Perhaps," he added, "he should pay up on his home, which is really a kind of equity ownership. Then he might begin to put some of his current savings into stocks.

"If he buys a little each year, or each month, as in the Stock Exchange's monthly investment plan, and does this over a period of years, it doesn't matter very much whether stocks were high or low when he started, since his cost prices will average out," Mr. Wallich said.

In fact, he maintained, such a man "may do a little better than average, because he can buy more stocks during years when they are cheap, if he always invests the same sum."

He described this method as "the only way in which the great majority of us can hope to make money in the stock market. It is nothing spectacular, no get-rich-quick scheme, but in the long run it can be very rewarding."

Investment of Retirement Funds

By CHARLES E. HAINES*
Asst. Manager, Pension Fund Department
Merrill Lynch, Pierce, Fenner & Beane
Members, New York Stock Exchange

After pointing out private retirement funds differ from public funds: (1) in source of contributions; and (2) legal limitations on investments, Mr. Haines describes the obligations and responsibilities of pension funds. Gives reasons for trend of retirement fund investments to equities as: (1) the factor of earnings; and (2) the pressures of inflation. Cites broad policies followed in investing college endowment funds, and offers suggestions for a balanced portfolio of a modern retirement fund

Public and private retirement funds differ in at least two important respects: (1) source of contributions, (2) legal limitations on investments. The primary purpose of both types of fund, however, is the same: to provide stated benefits on stated conditions.


Dr. Chas. E. Haines

This obligation of a retirement trust "to provide stated benefits on stated conditions" is what we refer to as "the liabilities of the trust." Liabilities differ from trust to trust. The investment problem in each case is to prepare an investment portfolio suited to the specific liabilities.

A retirement fund committed exclusively to the payment of pensions has a different investment problem from a retirement fund which provides death, severance, or health and welfare benefits in addition to pensions. A straight pension fund has liabilities which can be determined fairly accurately. Who gets What and When is definitely determinable. There are no risk or calamity factors, and the factor of uncertain mortality can be corrected without risk to the fund in an annual review of the actuarial assumptions.

A welfare fund, on the other hand, may be subject to sudden and unpredictable cash withdrawals. A high degree of liquidity may be desirable in such a fund. We repeat: investments should be tailored to the liabilities of the trust.

Inasmuch as it is impossible to cover the many and complex facets of this subect in 15 minutes, I shall confine my remarks to the investment problems of a straight pension fund.

The Change to Equities

Until the last five or 10 years, investment thinking with respect to pension funds was largely in terms of fixed income securities to meet what were regarded as fixed dollar obligations. The trustee selected appropriate maturities of government, municipal, and prime corporate bonds, and the fund realized a return of perhaps 2% or 2½%. The dollars of the trust were "safe."

Two primary factors have induced a change of investment thinking in the case of private retirement trusts:

(1) Earnings have come to be recognized as an important pension cost factor. A 1% increase in earnings can reduce pension costs or increase retirement benefits as much as 20%. This is simply saying that the more a fund earns, the less the employer contributes to maintain a given level of benefits, or the more the fund can pay in benefits. From this standpoint, earnings of 3½% or 4% are obviously more attractive than earnings of 2% or 2½%.

(2) Inflation periodically creates pressures to raise a fixed level of retirement benefits. A benefit schedule which seems adequate at one period of time may seem entirely inadequate at another period of time, simply as a consequence of inflationary trends which cause a rise in the price level.

During the 19th century, the rise in prices averaged about one-half of 1% per yer. During the last 50 years the average has been about 2½% per year. The higher income and unrealized capital appreciation in the common stock section of a diversified portfolio can partially offset the costs of the higher benefits necessitated by these rising prices.

As a result of the foregoing factors, progressive investment thinking today tends to be in terms of protecting the purchasing power of the dollar, as well as of safeguarding dollars themselves. This purpose is being accomplished by establishing equity funds to supplement fixed income funds, or, more generally, by giving representation to equities in the investment portfolio in such ratios as the trustees deem prudent in terms of the liabilities of the trust.

College Endowment Funds

While this concept of a balanced portfolio of securities to combine safety, income, and appreciation is relatively new in the pension fund field, the concept has been successfully tested for more than a generation by trustees of college endowment funds. In 1928 the Harvard Endowment Fund was invested 25% in equities. In 1954 the Harvard Fund was invested 51.4% in equities, which was approximately the average in that year for the major college endowment funds throughout the United States. Increased use of equities has been the means by which the trustees of these funds have maintained income, in the face of declining interest rates.

In important respects, the investment of a pension fund is comparable to the investment of a college endowment fund:

(1) Both types of fund are free from risk or calamity factors. A pension fund suffers adverse experience, not from too many persons dying too soon, but from too many persons living beyond the period of the mortality assumption. Unfavorable mortality experience occurs slowly and is adjusted by the actuary in periodic reviews. It should present no investment problem.

(2) Pension funds, like college endowment funds, must reckon with the factor of inflation. In this respect, they are unlike life insurance funds committed to the future payment of a fixed dollar obligation regardless of inflationary trends.

(3) Income is important to a pension fund, just as it is important to a college endowment fund. The more the fund earns, the less is the pension cost, or the higher is the possible retirement benefit.

(4) Both types of fund may reasonably invest a portion of their assets in common stocks without undue risk of capital. This is because both types of fund invest for long-term results, and consequently can ignore day-to-day fluctuations in market prices.

A well managed pension trust should never be in the position of being compelled to liquidate its equity holdings on unfavorable markets. The trust should meet its liabilities from current contributions, fund earnings, and maturing bond issues—not from sale of equities. Therefore, market fluctuations of equity prices are not a matter of controlling importance.

What Constitutes a Balanced Fund

This suggests the question: What investment ratios are reasonable for the average pension trust?

Different members of this panel will perhaps give different answers to this question, underlining the fact that there is nothing sacred about any set of ratios. There is no such "animal" as a "typical" pension fund portfolio. But in the investment organization with which I am associated, we believe that conservative ratios for the average pension fund are 20% in United States Government obligations, 40% in corporate bonds, 15% in preferred stocks and 25% in common stocks. On today's market, the overall yield on a portfolio invested in these ratios may be expected to approximate 3½% to 3¾%.

It will be observed that 60% of the assets are invested in fixed income securities for protection of dollar values, 40% in common and preferred stocks for protection of purchasing power. In a continuing fund, common and preferred stocks will ordinarily be sold for only one of two reasons: (1) because the trustees believe that certain holdings are losing their attractiveness for income, or (2) because the trustees desire to establish certain investment ratios at market. Consequently, common and preferred stocks will be put away in "the deep freeze" for the income they are expected to produce over long periods of time—and, in the case of common stocks and convertible preferred stocks, for the appreciation which should gradually occur in market values. In the past, this appreciation has averaged 3% per year, so that even a fund which performs no better than the average should do reasonably well over a period of 20 or 30 years.

What Types of Securities to Hold?

A collateral question is: What types of securities are appropriate in the ratios suggested?

In the case of United States Government obligations, the problem is primarily one of selecting suitable maturities Since there are more than 50 separate issues of marketable government obligations, issues should not be selected indiscriminately. It would not be prudent, for example, to select the 40-year issues yielding 3% to maturity if the money may be needed in six months to meet fund liabilities; it would be better to buy a short-term maturity yielding, perhaps 1½%. In the government bond section of the portfolio, as in every other section, issues should be selected in terms of the liabilities of the trust.

In the corporate bond section of the portfolio, we follow the general practice of confining selections to issues with a Moody rating of "A" or higher, for a current yield of about 3 to 3¼% on 20- to 30-year maturities. We make little use of municipal bonds in a tax-exempt pension trust, for the reason that municipals customarily sell on a lower yield basis than corporate bonds of comparable investment quality. They command a premium in price which, for a tax-exempt trust, does not offer an equivalent in value. If real estate or mortgages are acquired by a pension trust, which may or may not be desirable in specific cases, we consider these holdings as falling within the 40% corporate bond category.

Preferred stocks are purchased primarily for income. If an investment grade preferred can be bought to yield 4 or 5%, the income over a 30-year period of time is substantially more than from a 30-year bond.

Emphasis in the common stock section of the portfolio should be upon quality—as a rule, stocks of companies with demonstrated earning ability and favorable long-term prospects. If holdings are diversified by company and industry, this section of the portfolis may reasonably be expected to respond to the normal growth of the economy.

Pension fund investment, is, basically, one of the simplest forms of investment. There is no need to "time" purchases, or to buy and sell in an effort to capitalize on short-term swings of the market, or to estimate that the market at any given time is "too high" or "too low." Pension fund trustees are investors, not traders. They buy quality securities as funds become available, they buy according to a consistent and methodical investment program, they buy for "the long pull."

The problem for trustees of municipal funds is usually complicated by the fact that the trustees are subject to severe legal restrictions on investments. We are observing a relaxation of these restrictions in some cases. We believe that this trend toward relaxation will continue, as the fact is more generally recognized that the basic investment problems of public and private retirement funds are substantially the same. Therefore, we believe that municipal retirement funds invested, say, 25% in equities are a possible and feasible goal toward which investment policy will progress.

Some of the delicate problems which may arise in large funds with regard to voting of stock and control of management will here be noted for the record, with the request that this member of the panel not be required to dispose to these problems at this session!

*An address by Mr. Haines before the 9th Annual Conference of the Municipal Finance Officers Association, New Orleans, La., May 5, 1955.

With R. S. Dickson Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Edward R. Lowry is now with R. S. Dickson & Co., Inc., Wilder Building, members of the Midwest Stock Exchange.

Two With Reynolds

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C. — Gaither M. Beam, Jr. and Frederick P. Spach have become affiliated with Reynolds & Co., Reynolds Building.

Now Hudson Valley Secs.

BALLSTON SPA, N. Y.—Edgar D. Larkin is now doing business in Hudson Valley Securities.

J. R. McCleskey Opens

COCONUT GROVE, Fla.—J. R. McCleskey has formed J. R. McCleskey, Inc., with offices at 3604 Matheson Avenue, to conduct a securities business.

From Washington Ahead of the News

By CARLISLE BARGERON

Foreign aid, it must have become apparent to everybody by now, is with us to stay. It has become a piece of the American economy, a part of the American pattern of life, like price supports. Talk to most any member of Congress about it and he will tell you it is disgusting but nothing can be done about it.

Carlisle Bargeron

A few months ago there were influential Senators and members of the House who seriously believed the matter would be brought under control at this session. They had provided that Harold Stassen's Foreign Operations Administration was to expire June 30, and this they thought would be the end except for perhaps a relative trickle of foreign aid.

Indeed, it was only a few weeks ago when Mr. Stassen was thoroughly squelched over his statement that an Asian Marshall Plan was coming up. That man who still hopes to be able to balance the budget, Secretary of the Treasury Humphrey, was telling the delegates to an international conference at Rio at the time that the gravy train was to be cut off. He almost bit his lip when he heard about Stassen's statement and hurried back to Washington to give him a verbal spanking. I wrote at the time that it would be unwise, in view of Stassen's resourcefulness, to write foreign aid off.

Now, the President has submitted a $3.5 billion program for Asian aid to Congress. I don't think even Stassen's original program was quite this ambitious.

When foreign aid gets into political trouble, the trick of the Administration—Democratic or Republican—seems to be to change the name of the agency administering the aid and the name of the administrator. Since World War II, foreign aid has gone through some 20 different administrative transformations but the basic spending is still there.

This time the Eisenhower Administration has upset Congressional critics of the continued foreign spending by pulling out of the hat an old Taft lieutenant, John B. Hollister, to administer it. Mr. Hollister is a conservative and he has adhered strictly to the foreign policy of the late Senator. There is no question about his ability. He has been serving on the Hoover Commission for the Reorganization of the Government and the Commission is understood to be coming out shortly with a most critical report on foreign give-aways.

What better way to stall off criticism of the new aid program than to name as administrator a man from the ranks of the critics? You surely can't be against a program sponsored by a man like Hollister, the White House will now say to those so-called isolationists—a term given by the internationalists to everybody who makes bold even to suggest there is a limit to our resources. To say the least the Administration has broken the ranks of the critics.

There has been some mild raising of eyebrows on the part of the internationalists. Can a man of Hollister's background put his heart in giving away money abroad, they ask? It is noteworthy that they don't say he can't and they haven't sought to block his appointment. They simply ask the question.

The fact is they have no serious misgivings about him. And they realize the appointment was a very wise one to save the program.

Of course, Mr. Hollister will put his heart in the work. He will be no different from the other men who have been caustic critics of the President's policies, any President, and then being invited to Washington to join the crowd, turned out to be willing hands. It was true under Roosevelt, under Truman and it is true under Eisenhower. I have had several of them tell me that they never appreciated the problems and policies of the President until they came here and got in on the know.

Mr. Hollister has not been a caustic critic. He is not a caustic man. But I am quite sure he has entertained the same thoughts about foreign give-aways that the late Senator Taft did.

But the new vistas of public service, as it is looked upon, will be opened up to him on his new job. I know him personally and have a great admiration for him and I am quite sure he will prove just as capable at the giving-away business as any of the rest of them. Indeed, he might turn out to be the best.

Kahn & Peck Partner

Kahn & Peck, 120 Broadway, New York City, members of the American Stock Exchange, have admitted Mario V. Gimma to partnership in the firm.

Jay Kaufmann Partner

Jay W. Kaufmann & Co., 111 Broadway, New York City, members of the American Stock Exchange on May 1 admitted Irving Citron to partnership.

Palmer, Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Lester M. Bernstein, Benedette G. Eosue, and Harry Sarkisian are now with Palmer, Pollacchi & Co., 84 State Street.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Otis Upton Walker is now connected with Goodbody & Co., Penobscot Building.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Richard A. Schmelzle has joined the staff of Fusz-Schmelzle & Co., Boatmen's Bank Building members of the Midwest Stock Exchange.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Vaiden M. Phillips, Jr. is now with State Bond & Mortgage Company of New Ulm, Minn.

Bank Credit Assoc. To Hold Meeting

The Bank Credit Associates of New York will hold their regular dinner meeting on May 19 at the Railroad and Machinery Club, 30 Church Street, New York City. Joseph F. Sinzer Dean of the Faculty of Pace College, will address the meeting on "The Bank Credit Man Has Faith?"

Reservations should be made before May 13 with James A. Dalton, Bankers Trust Company. Tariff $4.75.

The Association will also hold its annual election of officers the same day.

The Nominating Committee, composed of William D. Smith, Chairman, Harry S. Oliver, Jr., William M. Ellis, and S. Whitney Satterlee, has submitted the following nominations:

President: James A. Dalton, Bankers Trust Co.

First Vice-President: Robert J. Kurau, Grace National Bank.

Second Vice-President: William D. Smith, Irving Trust Co.

Treasurer: Francis D. Weeks, Jr., Marine Midland Trust Co.

Secretary: John J. Battista, Credit Suisse.

Board of Governors for two years: Archie J. O'Brien, Royal Bank of Canada; William B. Baldwin, Chemical Corn Exchange Bank; Justin McCarthy, Industrial Bank of Commerce; George O. Hungerford, Guaranty Trust Co.; Fred Oberlander, Chase Manhattan Bank; and Stephen D. Fellows, Fidelity Union Trust Co., Newark, N. J.

With R. A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Theodore E. Mackrell has become affiliated with Richard A. Harrison, 2200 Sixteenth Street.

Joins Floyd Koster

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Verl W. Adair has joined the staff of Floyd Koster and Company, Denver National Building.

Dealer-Broker Investment Recommendations & Literature

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

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

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

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

Dollar Averaging—Discussion in current issue of "Market Pointers" with a list of candidates—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a study of the **Guided Missile Industry** and **Retail Trade.**

First Quarter Dividends Reviewed — In "The Exchange" monthly magazine published by the New York Stock Exchange—$1 per year—Dept. F2, The Exchange Magazine, 11 Wall Street, New York 5, N. Y.

Investment in Research—"Highlights" No. 30—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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

Japanese Petrochemical Industry—Discussion in current issue of "Monthly Stock Digest"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Japanese Trading Firms—Analysis of outlook—in current issue "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

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.

Positive Investment Program For 1955-1956—Address by Philip J. FitzGerald before the National Federation of Economic Societies—Dean Witter & Co., 14 Wall Street, New York 5, New York.

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

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Air Way Industries, Inc.—Report—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Atlas Plywood Corporation.**

American Motors Corporation—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Asbestos "Sleeper" — Report — Peel Investment Corporation, 132 St. James Street, West, Montreal, Que., Canada.

Bank of America, N. T. & S. A. — Memorandum — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Bethlehem Steel Corporation — Competitive table of related values—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Bowater Paper Corp. — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Chrysler—Report—Cohu & Co., 1 Wall Street, New York 5, New York.

Clark Oil & Refining Corporation—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Johnson Service Company** and **Pittsburgh Plate Glass Company**, and a memorandum on **National Union Fire Insurance Co.**

Coca-Cola Co.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Columbia Gas System—Report—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same report are data on **Air Reduction** and **Pittsburgh Coke & Chemical.**

Commonwealth Life Insurance Co.—Analysis—R. S. Dickson & Company, Inc., Wilder Building, Charlotte 2, N. C.

Daybreak Uranium, Inc. — Bulletin — Pennaluna & Co., 413 Sixth Street, Radio Central Building, Spokane 8, Wash.

General Portland Cement Company—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

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

Libby Owens Ford Glass Company—Bulletin—Reynolds & Co., 120 Broadway, New York 5, N. Y.

J. Ray McDermott & Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

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

Minute Maid—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Morrison-Knudsen Company, Inc.—Analysis—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

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

Rudolph Wurlitzer Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Safeway Stores, Inc. — Annual report — Librarian, Dept. CF, Safeway Stores, Incorporated, P. O. Box 660, Oakland 4, Calif.

St. Louis San Francisco Railway Company—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Sani Pulp Corporation—Report—Globe Securities Corporation, Ltd., Canada Building, Montreal, Canada.

Schering Corporation—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Standard Oil Company (New Jersey)—Annual report—Standard Oil Company, Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

Strategic Materials Corporation — Report — Straus, Blosser & McDowell, 72 Wall Street, New York 5, N. Y.

U. S. Life Insurance Co. of New York—Memorandum—Cruttenden &Co., 209 South La Salle Street, Chicago 4, Ill.

Universal Match Corporation — Analysis — Scherck, Richter Company, 320 N. Fourth Street, St. Louis 2, Mo. Also available is an analysis of **Old Ben Coal Corporation.**

Warner & Swasey Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 5, N. Y. Also available are memoranda on **Plymouth Oil Co.** and **Speer Carbon Co.** and a bulletin on **Dynamics Corp. of America** and **Royalite Oil Ltd.**

NSTA Notes

DALLAS SECURITY DEALERS ASSOCIATION

The Dallas Security Dealers Association will hold an Outing on May 28 at the Ridgelea Country Club in Fort Worth, Texas, 6 a.m. to 6 p.m.

Those planning to play golf should check with Jake Martin, Shearson, Hammill & Co. A special event is under the direction of Rader McCully of First Southwest Company. Reservations should be made with Brud Smith of the Texas Bond Reporter, Inc. Tariff, $10.00 per person.

For any wishing to spend Friday night before the party or Saturday, afterwards, rooms may be obtained at the Western Hills through Landon Freear, Wm. N. Edwards & C.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League Standing as of May 5, 1955, was as follows:

Team	Points
1. Donadio, Hunter, Fredericks, Demaye, Saijas, Kelly	49
2. Growney, Alexander, Eiger, Valentine, Burian, Craig	39
3. Mewing, Define, Gavin, Montanye, Bradley, Huff	38
4. Manson, Jacobs, Siegel, Topol, Frankel, Tisch	37
5. Klein, Rappa, Farrell, Voccolli, Strauss, Cohen	37
6. Leone, Nieman, O'Mara, Forbes, Greenberg, Murphy	34
7. Bean, Meyer, Bies, Pollock, Leinhardt, Weiler	34
8. Meyer, Murphy, Frankel, Swenson, Dawson-Smith, Kuehner	28
9. Kaiser, Hunt, Werkmeister, Kullman, McGovan, O'Connor	27
10. Barker, Brown, Corby, Weseman, Whiting, Fitzpatrick	27
11. Grisam, Clemence, Gronick, Stevenson, Weissman, McCloud	26
12. Serlen, Rogers, Krumholz, Wechsler, Gersten, Gold	17

200 Point Club

Jack Manson 211
Jack Valentine 207

5 Point Club

Joe Donadio
Jack Manson
Julie Bean
Will Krisam

BOWLING DINNER — JUNE 2, 1955, AT THE ANTLERS. CONTACT SID JABOBS.

COMING EVENTS

In Investment Field

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.

May 28, 1955 (Dallas, Tex.)
Dallas Security Dealers Association outing at the Ridgelea Country Club, Ft. Worth, Tex.

June 2, 1955 (New York City)
Security Traders Association of New York Bowling League dinner at the Antlers.

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.

June 24, 1955 (Boston, Mass.)
Boston Investment Club annual outing at the Weston Golf Club.

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.

Nov. 16-18 (New York, N. Y.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 27-Dec. 2, 1955 (Hollywood, Florida)
Investment Bankers Association annual Convention at Hollywood Beach Hotel.

The Trend of Interest Rates

By L. DOUGLAS MEREDITH*
Executive Vice-President and Chairman, Finance Committee
National Life Insurance Company, Montpelier, Vt.

After explaining that interest rates are a composite resulting from many components, life insurance company executive reviews fluctuations in the money market during the last decade, and next discusses present factors affecting the money market, such as Federal Reserve policy, business activity, the stock market situation, and the commitment position of insurance companies. Concludes, existing factors suggest no softening of interest rates in the near future, but a possibility of further moderate stiffenng of rates, unless business slows down severely.

Whenever we speak about interest rates, what do we mean? We can refer to the rate of interest on any one or several of a wide variety of obligations ranging from short-term U. S. Government obligations to long-term U. S. governments, from quality municipals of varying terms to long-term, high-risk revenue obligations, and from low-ratio, short-term, secured and unsecured loans to high-risk obligations secured by a claim which can be asserted only after several prior liens have been satisfied. On the other hand, when we speak about interest rates we can refer to the composite which results from many components or to what may best be described by the well-known expression, the money market. And so, for our immediate purpose we shall consider the money market generally, just as one might discuss the shoe market instead of discussing the different types of shoes, or the automobile market generally, as contrasted with the various makes and models.


L. Douglas Meredith

The Last Decade of the Money Market

Before we consider the immediate trend of money rates, it would be worth our while briefly to review the fluctuations in the money market during the last decade for at least two reasons. In the first place, rarely in our history have there been such relatively wide fluctuations in money rates. In the second place, a review of these developments will make it easier for us to understand some of the major factors which influence the trends of the present.

Our review of recent money market history, of necessity begins with the end of World War II because, while the monetary history of the war period provides much interesting material, and while critical review of the policies which prevailed raises interesting questions as to the wisdom of some of them, the conditions under which they were exercised were of an unusual nature, to say the least. Immediately after the war, the Treasury was confronted with the necessity of raising additional money on a large scale to finance the postwar expenses, and the Government was anxious to make the transition from a wartime to a peacetime economy as painlessly as possible. To state the same things in another way, the Treasury deemed it incumbent to continue deficit financing. The Federal Reserve System, at the same time, pursued its wartime easy money policies and excess reserves were permitted to stand at almost record levels. Under these circumstances, lending institutions had ample funds available and competed vigorously for loans. This resulted in an all-time low point for money rates in 1946 when long-term U. S. Government bonds, the 2½s of 1967-72 sold as high as 106 16/32 or a 2.13 yield. Moody's index of Aaa bond yields fell to 2.53% and most of you will recall that 4½% FHA loans sold at 4 to 7 point premiums. In the same year the maximum interest rate on FHA loans was lowered to 4% from 4½%. Some eminent authorities even made dire predictions that we would never see a 3% Government bond again, that long-term governments would sell on a 2% basis, and it even was suggested that interest might be eliminated entirely!

The recession anticipated by many in 1947 did not occur. In fact, adjustment to higher postwar costs and prices was made so easily that the Federal Reserve Board's index of production rose 9% above that of 1946 while money rates edged above the low 1946 rates. In 1948, high levels of production, personal incomes and consumer expenditures continued, and money rates firmed still further; long-term taxable Government bonds yielded an average of 2.44% compared to the average low of 2.19% for the year 1946. During this period prices had risen rapidly with the Bureau of Labor Index of Wholesale Commodity Prices rising from 105.8 in 1945 to 165.1 in 1948. Inflation, which had become rampant, threatened further and thoughtful persons could only wonder what the ultimate outcome would be. The action of the Federal Reserve in supporting Government bond prices at arbitrary and artificial levels played a large part in impelling and maintaining these inflationary forces.

The recession in 1949 followed shortly. Production fell 9% below that of 1948, wholesale commodity prices averaged 6% lower and business expenditures for plant and equipment dropped 7%. Inventory liquidation, considered an important cause of the recession, reduced inventories 11% below those of 1948. Money rates again declined somewhat with Federal Reserve encouragement and remained at the lower levels until the fall of 1950 when the outbreak of war in Korea gave a fillip to production and consumer expenditures. The cost of capital started to rise and the Federal Reserve, despite Treasury objections, began to restrict credit.

The Federal Reserve System, during the war period, had become subservient to the Treasury and the independence which the System's founders had envisaged all but disappeared. However, some of the officials of the Federal Reserve and influential persons outside of the System, recognizing the inevitable results of subservience of the central bank to the Treasury, sought to regain and to reassert the System's independence. Their efforts at first seemed futile but in March, 1951, the famous "accord" between the Treasury and the Federal Reserve System occurred by which both parties agreed to curtail monetization of the public debt as much as possible and at the same time assure the successful financing of the Government's requirements. The Treasury shortly issued a longer-term non-marketable bond with a higher coupon in exchange for two long-term 2½% bonds. The Federal Reserve took steps to reduce the volume of bank reserves. These and subsequent actions had important anti-inflationary effects in the credit market and yields, as a result, began to rise.

The accord between the Treasury and the Federal Reserve probably will stand as a landmark in the history of the System, and devotees of private enterprise owe a debt of eternal gratitude to the courageous statesmen who assisted in the reassertion of the independence of the Federal Reserve System. While the Federal Reserve System has remained independent since the accord, the central bank and the Treasury have so much in common that a high degree of harmonious cooperation is imperative at all times, and the extent of cooperation between the System and the Treasury in recent years, without impairing the independence of either, has been highly laudable.

To those charged with the administration of large funds, the era of pegged markets had meant substantial book profits, but the price received on their salable commodity, money, has been distressingly low and could only be expected to move lower while other costs rose. With the establishment of a flexible credit program, inflationary movements were reflected in higher costs of capital funds with greater income to lenders.

The Federal Reserve policy from March, 1951 to May, 1953 can best be described as one of credit restraint. The culmination of this restraint was the issuance by the Treasury of the 3¼s of 1983-78 in May, 1953. The additional demand thus imposed on the capital market, already tight due to Federal Reserve action in selling Treasury bills, produced sharply higher money rates, as a result of which the new 3¼s dropped to a low of 99.6 shortly after their issuance. This sudden tightening of the money market made it difficult for some life insurance companies and other institutions to sell Government bonds to meet mortgage commitments, as had been planned, and mortgage prices dropped sharply, producing almost chaotic conditions in the mortgage market.

Business activity which had continued the fast pace of 1952 began to slacken moderately in mid-1953 due in part to the cutbacks in defense expenditures following the termination of the Korean war. Fears that credit was too tight and that a downturn in the economy was imminent, led to vigorous protestations against the System's policy of credit restraint. Shortly thereafter, the Federal Reserve adopted its policy of "active ease" but despite this assistance, the economy did not revive until late in 1954. That the decline did not become cumulative is attributed at least in part to the so-called "built-in stabilizers" and the resulting maintenance of consumer

Continued on page 44

*An address by Mr. Meredith before the 39th Annual Convention of the Texas Mortgage Bankers Association, Galveston, Texas, April 29, 1955.

Today's Stock Market And America's Future

By GERALD M. LOEB*
Partner, E. F. Hutton & Co.
Members New York Stock Exchange

Mr. Loeb, in speaking of the role of bankers as investment advisers, deplores their reluctance in this field, and indicates this is due to experience of 1929. Points out common stocks, by providing capital for nation's growth, has been for the collective good of society, and therefore a wider ownership of common stocks is desirable. Holds mass investment in common stocks should and will be part of America's financial diet. Concludes "stock market is just beginning to come back into its own after many years."

You gentlemen are fortunate in being bankers. Bankers get a dollar from their depositors and all they have to do is later give back another dollar. Sometimes a little interest along the way.

G. M. Loeb

Governments are also fortunate. They can sell bonds to the public and like bankers, pay them back interest and principal at stated values. We stock brokers have a tougher task.

People come to us and want to invest their money and get back a profit. They want enough gain to pay their taxes and at least enough to be able to buy as much as when they invested it. They want dividends too, while they are waiting. If you come to think about it, this business of a constant change in the purchasing power of money is pretty hard on most of us. Just as an example, let us consider the case of a nurse. She works hard and saves some money for her old age. When the time comes that she herself needs that money to pay for someone to nurse her—she may find that nurses are receiving twice as much per hour as she received. Put another way, in this case her savings have not earned as much interest as they have lost buying power.

This is not a healthy thing, this business of inflation and deflation, rising costs of living or dropping prices. It means that the real key to successful saving is to know whether to plan for inflation or deflation. There is nothing in sight that is going to make the future any different than the past. A real unchanging purchasing power for any currency anywhere is an impossible dream.

There are many forces that work to weaken the purchasing power of money. Among them are; the appeal of a higher pay envelope, the general urge to work a lesser number of hours a week without a greater amount of productivity, and the effect of wars.

On the other hand, peace, hard work, better and greater production, strengthen a currency. Over the long run, inflation wins.

How can thrifty savers cope with this problem? What can we do—in our respective positions of responsibility—to help them realize the most from the monetary rewards accumulated over a life time.

I think they are going to turn more and more to buying common stocks—equities. I think they are starting to do so now and that this buying is the real power behind the present stock market rise. That is why the future of America is very much tied up in what we make of the future of American corporations and the markets where their securities are bought and sold.

The public already, indirectly, has sizable and increasing holdings of common stock. In connection with the recent Fulbright Committee hearings, the SEC has published estimates that at the close of 1954, the holdings of insurance companies, banks, pension funds, investment companies, personal trusts, foundations and other institutions, accounted for 23% of the equity shares outstanding. The stock equities of personal trusts administered by banks amounted to $37 billion at the end of 1954. As more and more people realize the importance and the usefulness of investing in equities and seek out ways to do so, there exists a strong moral obligation on the part of the financial community to literally go out and educate the people on this vital matter.

The number of people who are able to invest in common stocks and who could strengthen their position by buying common stocks is amazingly large. Likewise, most of them know nothing about stocks or even where to educate themselves. The New York Stock Exchange recently conducted a series of surveys to determine the public's opinion on various topics relating to investing. Among the startling disclosures was the report that only one out of four of the country's adult population knows what a common stock is. Furthermore, only one in 10 say they would consider common stock as a way of investing surplus savings. In fact, 12,000,000 families with annual incomes of $5,000 or more do not own stock.

More and more of these people are going to want to know about equity investment. They are reading more about it in their newspapers. The Fulbright hearings were front page news everywhere. They are learning about it through the pension and profit sharing plans that are growing so extensively.

Role of Banker in Directing Investment

I think they are coming first to their bankers for information. Should they own stock? How to buy stock? Where? To what extent? Which one? And so on. These first investors can only consult someone who knows. To them that means their banker, a broker, a lawyer, or a successful businessman or investor. Even I cannot deny the fact that when the average person thinks of a solid citizen to turn to for advice, he thinks of the banker. In terms of relative prestige, the banker stands unchallenged at the forefront of the community.

The New York Stock Exchange survey illustrated this point very well. One-third of the families not owning shares indicated they would go to banks if they wanted to obtain details about investing in stock. Even among share-owning families—those who have had some brokerage contact—there was still one out of four who said they would inquire of their bankers for advice on investing. That's a very strong endorsement of the banker's position of influence.

As a member of a New York Stock Exchange brokerage firm you might expect me to feel that it is our job as brokers and that these incipient investors should logically first come to us. The fact is, there are numerically very few brokers. Most first investors don't know where these brokers are. Nobody obviously, is ready for equity investment until he has a bank account. It can be truthfully said, that every potential stock buyer is known to some banker somewhere. And that is why I have come to the conclusion that much of the job of broadening the base of equity ownership from today's few to tomorrow's many will initially be **your** responsibility.

I know it is vital for a bank to build up its deposits.

It is just as important to keep your depositor's investments properly balanced. There will be no direct financial profit to banks from such a policy. Neither is there any direct financial profit to brokers who undertake to educate and guide the newcomer. The 1½%, more or less, commission that we receive was never meant to cover education, merchandising and counsel. However, we both will benefit in the long run. I believe you will establish a better customer for the bank, and also be doing a better job for the economy. The stimulation of public equity investment in industry—particularly in providing new capital—is the same as injecting much needed fuel into an expanding economy.

A bank can only grow as rapidly as the community it serves. And the prosperity of that community is in direct ratio to its business health. I think we are in agreement that every business enterprise is dependent upon the growth of other companies—be they suppliers or customers—for continued health and progress.

There is absolutely nothing contrary to the best interests of your bank when you foster investment in securities. Like the biblical bread upon the waters, the dollars that go to work out of town send dollars back to your bank as deposits.

Banks have been encouraging the investment in savings bonds in the interest of our nation's welfare. Wouldn't you say that investing in stocks is equally vital to our nation's growth? Everyone has gained from our expanding economy. I never tell the first-time investor to put all his money in stocks. I ask him how much he has in the bank, how much in government bonds and how much in insurance. It is only when I feel he has the adequate reserves his personal situation calls for, that I proceed to invest his extra savings in inflation hedges for resultant income or capital gains.

I feel that in a similar exploratory manner, you can guide your depositors' finances to a proper and advantageous balance. And that includes investments on their part in common stocks of American corporations.

Losses and Gains in the Stock Market

We often hear about how much people have lost in the stock market. But we never hear about the money people have lost by **NOT** owning common shares.

Any man who kept all of his savings in cash, bonds, mortgages, bank deposits and the like while the cost of living was advancing, was a loser, even as much as a man who bought stocks unwisely and lost money through their decline.

I have found from 35 years' experience that financial safety lies only in doing the right thing. It does not lie in doing nothing, or in keeping your money in a storm cellar.

It is human nature to be cautious of a fire after one has been burned. I suspect that much of the reluctance on the part of banks to adopt a positive policy of offering stock investment advice is an unwarranted concern over the experiences of 1929. Anyone who has been cautious about sound equity investing since 1932 has been guilty of extreme over-caution. He has hurt the people he has tried to help. The loss in buying power has been truly enormous.

Now this is an elementary thought for so technically expert an audience. I emphasize it because it is a concept not taken into account by the average person in the handling of his financial affairs. I cannot state too strongly that the responsibility and opportunity to convey this fact to your customers lies with you, the bankers!

I realize that many banks have trust departments which counsel customers on equity securities. But I am thinking more of having banks expand the scope of their guidance when no trust services are required. Bankers today who take a broad and unbiased view towards equity investment will be doing a great deal to insure their own success. Because what is good for the U. S. A. and the majority of its population is good for them.

Common Stocks Has Supplied Capital for Nation's Growth

For the collective good of our society the willingness to invest in common stocks has supplied the capital to make the U. S. A. what it is today. Our system has so far proven the best in developing factories and know-how to build the type of goods in the quantities needed in the short time to win wars. Or to put it another way, to keep us safe.

Mass production which is a product of our corporations has also given us a better way of life. More cars, more washing machines, more television sets, better homes, more enjoyable vacations, more leisure time and better working conditions than ever before.

A vital part played by the stock market in the future of America is the opportunity it affords all to share in the nation's growth. After all, none of us ever heard of anyone really becoming wealthy except by owning equities. It might be one's own business. Or ownership is a natural resource or real estate. For most, it is more likely to be through owning stocks. It certainly never came from compound interest.

The young man particularly, should think more of adventure and less of security. I feel that every young man starting his business life is entitled to flex his muscles—financially speaking—and see how good he is. At college some have tried for athletic awards and some for intellectual honors. After college we should try for financial success. A young man busy all his waking hours getting ahead in his business and profession, can succeed financially with his savings by buying wisely the shares of good corporations and wisely letting qualified corporate management work for him.

Even if he is not a genius on selection and timing, the laws of regular accumulation and the normal growth of the companies he owns will do wonders for him.

Cash, bonds, insurance, savings bank deposits are of course, necessary for protection and emergencies. But stocks too are necessary for profits and gains.

Too many young men are talking about pensions and retirement plans at the time they take their first job. America was not built on a spirit like this. Common stocks belong among his first liquid savings after he has put aside only enough for emergency needs, for their ability to partly offset inflation and higher costs of living. They belong because they represent to him a stake in American growth, American energy, American inventiveness.

Mass investment in stocks **should** and **will** be part of America's financial diet!

Is Stock Market Headed for Trouble?

When I was so kindly invited to speak to this gathering, I asked one of my banker friends what this group would care to hear. He told me that you'd be interested in hearing what bankers can do to increase their deposits and earnings. I have to admit that that is really not my line. He also said that with the recent front page publicity given to the Fulbright hearing, you'd want to know what I thought about the stock market. That, of course, is exactly my dish of tea. After all, everyone in this room probably owns some stock directly or indirectly. I don't think there is a banker who hasn't some important depositors or borrowers who want to know what he thinks of the market.

Is the stock market heading for trouble? Is this a time for equity investment?

Since November when the Dow Jones industrial average of stock prices topped its fabled 1929 high, the amount of talk and newspaper publicity about the stock market also has hit a new high.

It is my opinion that the stock market is just beginning to come back into its own after many years of being far behind its normal and natural place in our affairs.

America thrives on growth. There is more of almost everything since 1929, and most of it costs more. And the corporation whose shares are traded is worth more now than it was 25 years ago.

One of the theories of those who feel we are headed for trouble is that since prices were too high in 1929, and the Dow Jones industrial average is back today to where it was, prices as well must be back to that stratospheric level. However, the truth of the matter is that this average consists of only 30 industrial stocks out of the 1,500 listed on the New York Stock Exchange and elsewhere. Even the 30 stocks in the average are not the same as the 30 in 1929. So, because the Dow Jones average is higher than 1929, it does not follow that all stocks are back to that former top level.

All stocks individually reflect their own prosperity or lack of it and it is meaningless to generalize.

As a matter of fact, 1929 prices have nothing to do with the case. Broadly speaking, those shares that reached and surpassed their 1929 prices years ago are much higher today and worth it. Those that are way below their 1929 prices now are there for a reason, and not a bullish one.

On the whole, every successful American corporation all along earns substantially more money than it pays out in dividends. This surplus cash is put to work in various ways to make the stock of the corporation worth more. We have already said that we are not counting today with the same dollar. Our population is up. Our income is up. Naturally, our stock should be up.

Some people say the market is booming because transactions a short time ago were running three or four million shares a day. The 1929 average was four million shares a day. They overlook the fact that there are three times as many shares listed now as compared to 1929. We have seen 25 years of apathy in the stock market. Six to seven million shares a day might much more easily be the day's average.

It is true that security loans have been climbing. They are much lower than 1929 in proportion to market values. They are trivial in ratio to borrowings in other fields such as home and installment buying. You bankers

*An address by Mr. Loeb at the 65th Annual Convention of the Missouri Bankers Association, Kansas City, Mo., May 9, 1955.

here know better than anyone else the quality of New York Stock Exchange listed collateral.

The demand for stocks is greater and growing. The only threats I see on the horizon lie abroad and in what we might foolishly do here ourselves to kill the goose that laid the golden egg. One of the most knowing investors in the world recently wrote me privately, "No matter how correct our views are, they can be easily upset, as they have been in the last years, by some sudden government action."

Any upset of the so-called peace we enjoy today would affect the value of all our securities and our money in ways none of us could control. The Fulbright investigation was concerned with whether we were facing what they termed another 1929 stock market crash. In special reference to that let me point out that in 1929 and running to 1932, we had a business recession and all that went with it in the way of unemployment and credit troubles and declines in prices of practically everything. We had, as a matter of fact, a strong dollar that bought more and more as the depression deepened.

The stock market went down because earnings and dividends and assets went down. It went down because it was the only continuously open liquid market place where you could raise cash quickly by selling your holdings. It made the headlines because you could see the declining prices in your newspaper every day.

Nobody, on the other hand, stood in front of your home and announced each day that it was worth less than the day before. It is true that there were some people who misused the machinery of the market place. It is equally true that there are always some people who misuse any privilege granted to them.

The people who write the stock scare headlines today are looking at the Dow Jones averages. What they should look at is the health chart of our economy. If they believe that we are going into deflation, decreased employment, lower production, etc., then the market is too high. But if they believe, as I do, that we are going forward instead of backward, then the market is bound to reflect this, and go on from here on. America faces a fabulous future. Let's all make the most of it.

Jack Munger Joins Keith Reed & Co.

DALLAS, Texas—Jack R. Munger has become associated with Keith Reed & Company, Fidelity Union Life Building as Chairman of the Board.

Jack R. Munger

Mr. Munger is a partner in the insurance firm of Munger-Moore.

Officers of the corporation in addition to Mr. Munger are Keith B. Reed, President and Treasurer; George S. Rooker, Executive Vice-President; Hugh Bass, Pat O. Humphreys and J. O. Henderson, Vice-Presidents; James R. Stanley, Vice-President and Assistant Secretary; and K. H. Reed, Secretary.

The firm acts as underwriters, distributors and dealers in Texas municipal bonds, public utilities and industrial stocks and bonds, preferred and common stocks, bank and insurance stocks and mutual fund shares.

Business Recovery Not Excessive

By RAGNAR D. NAESS*

Naess & Thomas
Investment Counsel, New York City

Investment analyst, holding present business recovery has not been such as to cause maladjustments that might lead to another recession, finds outstanding feature of present business outlook is the strong position of the consumer goods industries. Sees also as a favorable factor the prosperous conditions in Europe and better prospects for peace. Says Skepticism and caution regarding prosperity is "a healthy condition."

The essence of the present business situation is that we have recovered sufficiently from last year's low point to provide highly favorable conditions, but the recovery has not been excessive and maladjustments have not been created as yet which might cause downward business readjustments in the near future.

Ragnar D. Naess

The outstanding feature in the business outlook is the strong position of consumer goods industries because of the prolonged period of inventory liquidation last year and because of the current high and increasing rate of consumer incomes which are supporting high and rising retail sales.

Two highly publicized industries are in the vanguard. The automobile industry, despite its enormous current production, is not burdened with excessive inventories of new cars because retail sales are also setting new records. Similarly, despite the high rate of new housing construction, there are no indications of any reversal in this important industry in the near future.

Other consumer goods industries not yet as active as automobiles such as, for example, textiles, appliances, furniture and carpets, are showing evidence of further recovery, and inventories in these industries are not yet accumulating on any significant scale.

Another outstanding feature of the business outlook is the favorable trend ahead in capital goods expenditures. During the last few months orders for machinery and equipment have shown a sharp and widespread rise, and there is every indication that the upward trend will continue in expenditures for commercial, industrial, public and semi-public construction and for public works. The present strong position of all these capital goods industries means that we have a solid foundation underlying the recovery in consumer goods and encourages the belief that business will also be good in 1956.

A third important feature of the business outlook is the support we are obtaining from the prosperous conditions in Europe. The present lessened tension in international relations may well continue and should stimulate foreign trade further. On the other hand, even with prospects for peace improving, we are likely to continue large government expenditures for defense which are an important factor in our business structure.

The present economic background therefore indicates that our economy is moving into new high ground on an overall basis as well as in many individual fields of activity. Estimates suggest that gross national product is running at a rate of about $390 billion a year which compares with the former peak rate of $371 billion in the second quarter of 1953 and a low point during the third quarter last year of $356 billion. On this basis personal income is now running in excess of $300 billion a year compared with $286 billion a year ago.

No wonder that we are today enjoying an unprecedented period of prosperity. Fortunately it seems as though underlying economic trends are favorable enough so that this may continue for some period ahead into 1956. The implications of such prosperous conditions in terms of government financial policies are obvious. It opens up possibilities of a balanced budget and brings nearer the day when both personal and corporate taxes might be reduced further.

The present prosperity is regarded by many businessmen and investors with skepticism and caution. This in itself is a healthy condition and may prevent excesses from developing both in business and in the security markets.

*Summary of a talk by Mr. Naess at the Eighth Annual Convention of the National Federation of Financial Analysts Societies, New York, N. Y., May 9, 1955.

Armand Erpf Director

Armand G. Erpf

The election of Armand G. Erpf as a director of Allen B. Du Mont Laboratories, Inc., was announced by Dr. Allen B Du Mont, President. He will fill the vacancy created by the resignation of Bruce T. Du Mont. Mr. Erpf is a general partner of Carl M. Loeb, Rhoades and Company, investment bankers.

Tobey & Kirk to Admit Sol P. Fink As Partner

Tobey & Kirk, 52 Wall Street, New York City, members of the New York Stock Exchange, on May 12 will admit Sol Paul Fink to partnership in the firm.

Basic Issues of the Guaranteed Annual Wage

By FRANK B. CLIFFE*
Vice-President, H. J. Heintz Company, Pittsburgh, Pa.

After defining "The Guaranteed Annual Wage," Mr. Cliffe points out that there is a general desire by both employees and employers for regularity of employment, but because of the many difficulties in the way, and the complexities involved, its practicability requires testing. Calls attention to the interference of GAW with State unemployment compensation laws, and concludes, though GAW "is a beautiful rose by whatever name you call it, before you buy it, you better know what the thorns are, and how much they can scratch you."

The term "Guaranteed Annual Wage" means many different things to different people, and at different times. If you will bear this in mind, and grant me considerable liberty of interpretation, I'll talk about GAW in an inclusive sense.


Frank B. Cliffe

Our industrial society has developed many different kinds of employment contracts — some quite formal and for long terms, such as some of the top stars in the entertainment field, at one extreme, to the one-evening baby-sitter at the other. Custom and experience have evolved contracts, expressed formally and executed with considerable pomp, for one type of employment; custom has also evolved a very different type of understood or implied contract when you ask a red-cap to carry your bag to the train.

Duration of the expected employment, or stability of income, has been one of the factors determining the proper rate of pay, both in the mind of the employer and in the mind of the employee. Thus a plumber who comes to fix a leak in your bathroom expects and receives a much higher rate of pay per hour (including travel time!) than the maintenance man on your regular payroll at the factory. Or to put it in terms of agricultural workers, the harvest hand or member of the baling crew is paid more per day, for the few days he works for a given farmer, than the hired man who is on the all-year basis.

Some men like the high rate per hour, the variety of changing location, the periods of freedom from the alarm clock and the dinner pail. Others like the regularity of paycheck, working in familiar surroundings.

These two types of employment have developed over the years, to suit the disposition of the workers and the operations of the employers, and with infinite variety between the extremes that I have suggested.

It is not to be expected that there will always be a perfect balance between the numbers of the employees who want a given type of stability and the job opportunities calling for that same degree of stability. So some workers will be dissatisfied, and some employers will be unable to get the type of workers they desire, in satisfactory numbers and at normal pay rates.

The General Desire for Regular Employment

Since the turn of the century, a number of factors have caused employees to have a growing desire for regular paychecks—among them I have time only to mention the rising standard of living with its awareness of the desirability of purchase of many things beyond food and clothes; the need to keep up payments on the appliances purchased on the instalment plan; the increasing urbanization and dependence upon cash instead of home-grown food; better educated and better informed employees; union leadership, and many others.

Regularization of employment has long been a desire of well informed management; factories or machines that are standing idle are not earning a return on the capital invested in them; new employees that must be trained in the techniques and product are expensive. For 20 years, I have been urging sound experience rating provisions for the state unemployment compensation laws. I want the laws to encourage employers to do all that they individually can do, to provide steady work. With experience rating in effect in all states, practically all employers now know how desirable it is. Labor unions are now urging GAW, on the basis that it will also encourage stabilization of employment.

The desire to furnish regularized employment or paychecks even in companies that grew with considerable irregularity of production, is not a new matter. Many companies have made efforts, with varying degrees of success. Perhaps the most frequently cited regularization of the paycheck is in the Hormel meat packing plant. Five years or so ago the CIO put out a training film, describing the Hormel plan, and urging is as a model, to be sought in other companies. That plan provided that, starting with the beginning of each busy season, the employee would work as long as necessary, up to 53 hours a week, to handle the daily supply of hogs; he would be paid only for 38 hours per week, and the excess time would be set aside for his subsequent benefit. Then when the slack season arrived, his working hours were shortened, but he was still paid for 38 hours at straight time. Obviously, he was getting his own previously earned hours, until the short time offset the previous long weeks. Thereafter, until the next busy season started, it cost the company real money if they could not furnish him with 38 hours of work per week. That actual cost has not been very great until last year, when a shortage of hogs left the company without adequate work. The same lack of raw material might happen to any manufacturer, possibly due to a strike in the plant of a supplier or in the distribution system.

The CIO, once advocating the Hormel plan as a real "GAW," gradually withdrew their support, as they came to realize that the company was not paying overtime rates during the busy season and that the company did not pay for some of the work performed in the busy season until months later. Apparently, the employees concerned like the plan, and so do the local union and the company, but it is no longer used by the International CIO as their model.

Other companies have tackled the problem by building up inventories during the slack season. This approach is not available if the product is perishable or too bulky, or produced on customer order, or subject to style changes, or if the company lacks adequate capital or credit, or if the raw material is available at a reasonable price only in a limited season.

The advocates of the GAW have used the argument that "the management gets regular salary checks, why shouldn't we?" In this argument, they have confused the issue between **regularity** and assurance of **continuance.** As we all know, salaried employees get their checks only as long as the employment relationship lasts. With very infrequent exceptions, the salary checks stop soon after the employee stops working. There is probably not one salaried employee in a thousand who has any **guarantee** of employment or salary beyond the current pay period. Even company Presidents have been fired without notice!

So that brings us to take a look at the word "guarantee." In the usual sense, this is an assurance that a third party will perform an agreed act. However, in relation to employment, the employer is asked to agree that he will carry out his own commitment to continue paychecks, whether work is performed or not. Probably a better word to use would have been "Warranty," but that is not as well known, and hence would not be as useful in selling the idea.

Some of the union advocates have urged that a real guarantee be established, not relying on the employer's willingness or ability to carry out a promise of steady paychecks. Under this proposal, the employer would be called upon to set aside currently, while employment is active, a certain amount, specified as a percentage of the payroll, or so many cents per hour worked, or per ton produced. These amounts would be turned over to a Trustee, who is the one who really "guarantees" that the employer will issue a paycheck, and in case of failure to do that, the Trustee will issue a check. For bargaining purposes, it is claimed that the employer's liability and obligation end when he makes the agreed payment to the Trustee. It is called "limited liability." As a practical matter, what do you think would be the position of the employer if the Trustee had paid out all that he had, to the short service employees who are usually the first to be laid off, and then had no funds to meet the guarantee to long-service employees? Would the terms of the contract with the union protect the employer from public and employee criticism? Can't you see the headlines, "XYZ Company Defaults on Its Wage Guarantee"?

What Is to Be "Guaranteed"

Next, let us take a look at what is to be "guaranteed." The demands that may come from a specific negotiation are as varied as the resourcefulness of the negotiator. At one stage, the idea was advanced that the employee's "regular full-time pay" should be paid by the employer, directly or from the guarantee fund. Then it was pointed out that the employer for the past 15 years or more had been "contributing" to a fund known as the state unemployment compensation system, that was designed to make payments to those who were unemployed, available for work and with a work history. So the logical suggestion was next made that the "guarantee" should be a supplement to the state unemployment compensation system. Thus, for the first several months after layoff, the guarantee payment would make up the difference between the state unemployment compensation payment and the "guaranteed" amount. If the person was still unemployed after the exhaustion of rights under the state system, then the guarantee would be paid in full from the Trustee. Quite obviously, the more generous the state unemployment compensation was in amount, duration and administration, the less would be needed from the Trustee, from the funds also paid by the employer.

Determination of the weekly amount to be guaranteed is not a simple matter. Wages are subject to witholdings for income and social security taxes: Should the guarantee, not subject to such taxes, result in the employee having **more** spendable cash than when he is working? If so, why would he seek work? If it is a guarantee only of his take-home pay, that also would require a whole series of definitions and interpretations. Would it differ for a single man who has large tax withholdings from his paycheck, vs. the married man with several dependents?

While the definition of GAW has not crystalized, at the present moment it appears that it does **not** mean spreading an employer's present annual payroll evenly over his 52 pay periods. Rather, it implies for each employee, for each pay period, a payment equal to his normal full-time paycheck or the current week's work, which ever is **higher.** There is no inclination in the current negotiations to allow the employer to offset short time of one week against overtime in another.

In the last year or two, there has developed considerable popular resentment against the union demand for "full pay for not working" as GAW has been described. It was clear that if full gross pay was available, without working, persons laid off by one employer would not seek, and might dodge, other employment, until the guarantee had expired. The bad effect of this, on the individual, and on the economy of the country, is obvious. Therefore, within the past few weeks, the union officers have shifted their demands, still calling the rose GAW, but saying that what they really want is guaranteed annual work—i.e., stabilized employment. If they really have that as their goal, I find myself in sympathy.

Employers looking for help and further information would do well to read three of the pamphlets issued by the U. S. Chamber of Commerce, namely: "The Economics of the Guaranteed Wage," "Jobs or Jobless Pay?" and "Steadier Jobs."

Much has been done in the direction of stabilization by many employers, and more can and will be done. Some employers have an easy task in furnishing regular work since the demand for their products or services is fairly uniform throughout the year. Other employers find it difficult to cope with problems of seasonal fluctuation, and still other industries are keenly sensitive to fluctuations in the business cycle, or variations in business conditions generally, or in their competitor's current success. The employer who is contributing most to the growth of America, by adventuring in new fields and developing new products, runs great risk of instability.

How far should employers go, or be asked to go, in limiting their production in times of great popular demand, holding down their employment to the level that can be continued when the public demand slackens? Should Ford, or Chevrolet, hold down their production now, because history shows that fewer people will be in the market for new cars in November than in April? Can one of them do it, if the other does not? If they agree with each other that both will do it, is that a combination in restraint of trade, subject to Federal prosecution and penalties? Should an employer with a growing market limit his employment, for fear of future slackening?

Problem Varies Among Industries

The problem of guaranteeing either work or wages varies widely between industries and even between employers in the same industry. Certainly the drive to obtain some such assurance of income will be strongest where the employees feel the least secure under present conditions, and where the fiscal and managerial problems will be greatest for the employers who are faced with such demands.

The advocates of GAW blithely assume that the amount of employment that an employer gives in each week is something solely under his control. Only a moment's consideration is necessary to reveal the falseness of this assumption. Many employers are dealing with such problems as processing agricultural products, that ripen only during a few weeks in each year. Others face the seasonal variation known to the vacation resorts, that are in turn influenced by school vacations. And all employers face the decisions of their final customer, who decides "to buy, or not to buy" and whether to buy the brand of one producer or another. If popular acceptance swings away from one producer, he would indeed be foolish to keep on producing at his maximum rate, hoping that eventually by advertising, design change or the mere whim of the customers, the demand for his product or service might be restored.

Conflict With Unemployment Compensation Laws

You may properly ask—"If the state has fixed a schedule of benefits for those who are unemployed, why should certain employers be called upon by a wage negotiation to pay to their unemployed more per week, and for more weeks?" Certainly since the first unemployment compensation laws were passed, a score of years ago, state legislatures have acted repeatedly to liberalize them—increasing the amounts per week, both for the minimum and maximum, and increasing the number of weeks for which such protection is given.

The original unemployment compensation act of Pennsylvania provided benefits for a maximum of $15 for 13 weeks, a total of $195. The 1955 amendments provide for $35 for 30 weeks, a maximum of $1,050 — more than five times the 1939 rate—and other states have had similar liberalizations. Such changes have expressed the opinion of the members of the Legislature as to the proper amounts to be paid, and the conditions under which payment is to be made. The GAW demands have indicated that union officials are not content to take the state decisions as to the eligibility of the border-line cases. The officials have indicated that persons denied state benefits will get their entire guaranteed amount from the fund; if the fund is administered by union officials, that interpretation seems likely.

An authorized spokesman for the CIO has pointed out that the employer will be free to reduce his payments under GAW by encouraging the State Legislature to liberalize still further the Unemployment Compensation payable under the state law. The spokesman failed to point out that the employer pays the full cost of Unemployment Compensation, so his promised savings on GAW would have been spent by his

*An address by Mr. Cliffe at the Sec- Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 3, 1955.

higher Unemployment Compensation tax payments to the State.

Experience suggests that while the initial negotiations for a guaranteed fund may call for relatively modest employer contributions, I need hardly remind you of the experience of the miners' welfare fund—the assessments going from an initial five cents, to 10, 20 and 40—and even so, benefits were reduced and in some cases discontinued. It is the ultimate probable cost that must be in the mind of an employer before he takes the first step in such a plan. Some employers may be sufficiently confident of their ability to give steady employment that the cost will be negligible—but in such companies, the employees are less apt to bother making a "demand" for GAW. Where the demand is made, the cost is apt to be great. The employer must consider whether he should risk raising his selling price, lessening his sales volume and possibly terminating his ability to give any employment. You and I, and the whole economy, would suffer far more than a few employees would gain from such a GAW.

One of the basic questions is whether the employees are really looking for a stabilization of their present annual income, or whether they seek to have hourly rates which were fixed at a high level because of normal fluctuations, frozen into a commitment for 40 hours per week and 2,080 hours per year at those high rates, regardless of availability of work. Which "rose" is an employer buying?

Basic Principles of Unemployment Compensation

The unemployment compensation system of the country has been in evolution for a score of years, with a constant trend toward larger benefits. In the testing laboratories of the legislatures of the 48 states, these years have shown the soundness of three fundamental principles.

(1) Benefits during periods of not working must be substantially below the employee's normal take-home wages, so that he will be encouraged to seek employment from other employers, not simply wait for a call-back notice from his former employer. Mobility of labor is essential to a dynamic economy.

(2) Experience rating, originally opposed by the Federal Social Security Board and by most unions, is vital, to encourage employers to do what they can, in their varying industries, to furnish regular work.

(3) Unemployment costs that are extreme, generally defined as more than 3% of payroll, must not be charged against a single employer, tending to force him out of business, but must be spread over all employers in the state; in effect, a plan of reinsurance of excessive losses.

Every state in the country recognizes these principles in its Unemployment Compensation law.

In contrast with this composite judgment of many sessions of 48 legislatures, the present GAW demand is for full pay, to be continued for a full year after layoff, and to be financed by each employer separately. Obviously, any bankruptcy of a Fund created by the alleged "limited liability" payments would result in union publicity of the "employer's failure to live up to his guarantee"—and demands for special contributions even though the employer had paid his full agreed toll.

If you find your own contract negotiation involves a demand for a GAW, do not brush over it lightly, thinking it is of little importance. Rather, study your own past record of stability of employment over several years — not by the deceptive totals that smooth out overtime in one department with the short time in another. You must consider each employee's history separately because that is the way you will have to pay under the guarantee. And even if your record of a low week's pay indicates the cause as being sickness or voluntary absence, bear in mind that a different reason might have been given if so doing would have called for a week's pay from the funds you provide. The employee whose service was terminated permanently must also be regarded as a further liability under GAW, unless you gave him separation pay equal to a year's full-time earnings.

While I am in strong sympathy with the desire for steady work and correspondingly steady pay, the demand for a GAW seems to be using the wrong tool for the job. Certainly the destruction of an employer's willingness to expand and experiment, and the bankruptcy of other employers who could not survive the additional load of payments demanded, would harm employees far beyond the benefits they would have received.

I have outlined some of the history of the current demands for GAW, and a few of the problems that you will face if and when your union presents such a demand to you as a matter of collective bargaining. The so-called GAW is a beautiful rose by whatever name it is called. Before you buy it, you better find out that it has thorns; know what the thorns are, where they are, and how much they can scratch you!

Browne Named Pres. Of S. F. Bond Club

SAN FRANCISCO, Calif. — Installation of newly elected officers of the San Francisco Bond Club, at the Club's annual business meeting Tuesday, May 4, climaxed the close of a successful year for the organization, according to retiring President Albert Schwabacher, Jr., Schwabacher & Co.

Alan K. Browne

The new officers are Alan K. Browne, Vice-President of the Bank of America, President; Wendell Witter, partner Dean Witter & Co., Vice-President; Emil Nelson, Crocker First National Bank, Secretary-Treasurer, and John Connolly, Shuman Agnew, historian. Harvey Franklin, Merrill Lynch, Pierce, Fenner & Beane and Vernon Kimball of J. Barth & Co. were elected to the board of directors. Other members of the board are Charles Meek, Blyth & Co.; H. E. Work, H. E. Work & Co.; retiring President Albert E. Schwabacher, Jr., and the incoming President, Vice-President and Secretary-Treasurer.

The new officers will take office July 1, 1955.

This being the club's 25th anniversary the new officers are planning an active year to commemorate the event. Every effort will be made to bring outstanding speakers to the club and the activities program will be broadened to more quickly integrate new members with the club's aims and objectives.

Joins Albert Theis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert L. Cowee has been added to the staff of Albert Theis & Sons, Inc., 314 North Fourth Street, members of the Midwest Stock Exchange.

Railroad Securities

Denver & Rio Grande Western

Railroad stocks have continued to pretty well dominate the market during advances and according to market technicians have been the major source of support when pressure has appeared in other sections of the list. The optimistic investment and speculative attitude toward the rails gained a further stimulus last week from the estimate released by the Association of American Railroads that March earnings of the Class I railroads were approximately 50% above the level of a year ago, and the release of car loadings figures indicating a continuation of wide year-to-year gains in traffic volume. As an added fillip, the Administration sent to Congress a program for implementing the suggestions made by the Cabinet Committee discussed in this column two weeks ago. While Congressional comment indicated quite plainly that there is little, or no, chance that such a comprehensive plan could be carried through this year there seems to be a chance that one or two of the more important parts could be passed if aggressively pushed.

One of the stocks that has been attracting considerable attention, although somewhat below the year's high, has been Denver & Rio Grande Western common. The stock holders approved a three-for-one split of the shares some time ago and it is expected that the I. C. C. will authorize the step in the near future, bringing the stock down to a more popular price range. Also, it is expected in many quarters that the dividend on the split stock will be placed at a rate higher than the $2.00 indicated by the $6.00 rate established on the old stock last quarter. Such a step would appear logical in light of the pro-forma earnings of $4.55 a share on the new stock for the 12 months through March and indications that this performance will be improved upon for the calendar year 1955. This is so particularly in view of the fact that the road's comprehensive property rehabilitation and equipment modernization programs are now behind it and cash needs for such purposes are not expected to be heavy from here on.

Denver & Rio Grande Western is fully dieselized, the main line has been virtually rebuilt, and with heavy rail, in recent years, a large amount of automatic signals and centralized traffic control have been installed, and yards have been modernized. The management has been one of the leaders in research work and the development of new techniques, and maintenance has been largely mechanized. All of these factors have turned the property into one of the most efficient in the country. Even with the sharp decline in traffic last year (the company was affected not only by general business conditions but, also, by the cessation of hostilities in Korea) the transportation ratio was held to 30.1% and the road was one of the few in the country to report higher net income than in 1953.

The road traverses a strong growth territory and the property improvements have put it in a position to compete successfully for lucrative transcontinental freight business. Thus, its traffic trend has been very favorable. Continuation of this growth brightens long term future prospects. Revenues for the first quarter of 1955 were nearly 5% above year-earlier levels and the transportation ratio was off more than a point, to 29.0% — for March alone it was down to 27.1% and for the full year it will almost certainly again be below the 30% figure. Maintenance expenses were also somewhat lower but Federal income taxes were quite sharply higher. Net income was up $364,629 from the like 1954 interval, a gain of nearly 16%. Considering last year's highly creditable showing it is not likely that any spectacular year-to-year earnings gains will be witnessed in coming months. Nevertheless, modest, but consistent, further improvement in earnings is anticipated and for the year as a whole a net income of roughly $13 million ($10,555,000 last year) seems as a not too optimistic estimate. This would work out to approximately $5.50 a share on the split stock.

Dacey on Trip To Steel Centers

William J. Dacey, member of the Policy and Investment Committee of National Securities & Research Corp., has left New York for a field trip to various steel centers to visit with corporate managements and to obtain a first hand investment survey of the steel industry. He will visit companies in the Pittsburgh, Pa., Cleveland and Middletown, Ohio, and Wheeling, W. Va., areas.

Gordon With Dickson In Richmond Office

RICHMOND, Va.—R. S. Dickson & Company, Incorporated, distributors and dealers in corporate and municipal securities, announced that J. Douglas Gordon Jr., has become associated with the firm as co-manager of the Richmond, Va. office, with John A. Purcell. The Richmond, Va. office has been removed from the State-Planters Bank Building to 409 Travelers Building.

On Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—James M. Hutton III is with W. E. Hutton & Co., First National Bank Bldg.

Testing the Right to Work —The Santa Fe Case

By FRED G. GURLEY*
President, Santa Fe System Lines

Prominent railroad executive reviews the laws and principles relating to compulsory unionism. Points out while the Taft-Hartley Act clearly recognizes the right of States to pass "Right-to-Work" laws, the Railway Labor Act, under an amendment in 1951, sanctions union shops under certain conditions, irrespective of State laws. Describes the Santa Fe test case in Texas Courts regarding this provision, and calls for a clear and decisive opinion by U. S. Supreme Court. Answers arguments favoring compulsory unionism.

The two outstanding issues on the national labor front today are described as the guaranteed annual wage and the right-to-work. I have been asked to direct my attentions to the latter.

Fred G. Gurley

Few subjects have become as beclouded by misinformation and misunderstanding, as the right-to-work question. I hope we may make a contribution to clearing the issues. There are two Federal acts which govern labor relations. These are (1) the Railway Labor Act, which applies to the Railways and some other Transportation Companies, and (2) the Taft-Hartley Act, which applies to other industries.

Section 14(b) of the Taft-Hartley Act provides that nothing in the National Labor Relations Act shall be construed to authorize the execution or enforcement of collective bargaining agreements requiring compulsory union membership in any State where such agreements are prohibited by State law.

Now, there is nothing complicated about a "Right-to-Work" law. Although all those currently in force in a number of our States differ in minor details, the net of each is the same. They simply provide that no individual can be required to belong to and support a labor union in order to hold a job. They mean that no man can be made to join a union in order to get a job and no man can be forced to join a union to keep his job. There are now 18 States prohibiting compulsory unionism. The number has been growing in recent years and there are certain to be more in the future. This alone indicates a widespread and growing public opposition to the notion that any man should have to join a union in order to exercise his right to earn a living.

The Opinion Research Corporation of Princeton, New Jersey, in April, 1955, reported upon a General Public Survey on the question and the great majority believes that a man should hold a job whether or not he is a union member. The survey included 645 respondents in a group classified as "strongly socialistic." The vote in this group was 47% in favor of the proposition, and it was the only group where the majority voted against the proposition that a man should hold a job whether or not he is a union member.

The unions and certain political people try to show that these "Right-to-Work" laws are a grave threat to organized labor. Nothing could be further from the truth.

Protecting Human Rights

Those who seek to overthrow "Right-to-Work" laws assiduously avoid their paramount feature, which is the fact that they accord statutory protection to basic and fundamental human rights protected by the Bill of Rights of the Federal Constitution. The proponents of compulsory unionism, in fact, have done everything in their power to obscure this facet of "Right-to-Work" laws in a cloud of propaganda. But when pressed to it, they go so far as to deny that the Constitution of the United States protects a "Right-to-Work."

In this denial, these people come into square conflict with the Supreme Court of the United States. The Court has repeatedly held that the Bill of Rights protects a right to work and a freedom of association as well. These have also been given express universal recognition in the Declaration of Human Rights of the United Nations. It is abundantly clear that these fundamental rights are abridged by compulsory unionism. A right or freedom exists in name only when it can be subjected to unreasonable and arbitrary conditions. The Supreme Court has flatly ruled that the right to work, like other Constitutional liberties, cannot be subjected to such conditions. The same perforce applies to freedom of association.

We are told that elections have shown that the union shop is desired by the majority of union members and that the wishes of these majorities should be respected. Let us assume, as it is claimed, that the majority in favor of the union shop is ordinarily overwhelming. The principal point demonstrated by that is that a compulsory membership requirement is not required for a strong union membership, and the coercion and infringement of liberty of the objecting minority serves no really useful purpose. If nearly everybody belongs to the union anyway, no substantial purpose is served by forcing a handful of objectors to conform.

A union is not, as many people suppose, purely an agency for collective bargaining with the employer. It is partly that, of course, but it is also more. Sometimes it is partly a social club, partly a secret society, partly an insurance company, and of course it has definite relations with political organization. To join it a man has to give up some of his freedoms, and some people just don't like to do that. Their reason, good, bad, or indifferent, is entitled to respect.

You will find that as a union man the employee is expected to contribute to an associated political organization, and otherwise toe the line politically. This means an assertion of control by the union over matters without direct bearing on the union's role of collective bargaining representative, and as to which the leaders assume to know better than the individual himself what is good and what is bad for him.

However appropriate this might be where membership in the union is on a voluntary basis, it becomes intolerable when it applies to one who is forced into the organization against his will. It is bad enough to force a man into a good union. But what about forcing fine American citizens into a union dominated by Communists, or one dominated by racketeers?

That to our disgrace is being done in this country today, and the doing of it is being facilitated by the laws and the institutions established during the 30's and 40's. To the credit of the CIO it has expelled a number of large and important unions because of Communist domination, but that has not ended their power or the power of other Communist-dominated unions under union shop agreements to force workers into their ranks. In the last 10 years we have spent untold billions to protect the people of the free world from Communist domination, and yet we ourselves follow a labor policy that forces our own people into organizations ruled by Communist leaders. We would never think of doing it in any other field, yet we persist here, largely I think because of the timidity of politicians in consideration of these policies.

In New York and elsewhere public attention has been focused in recent years on unions controlled by racketeers and criminals where honest men because of union shop agreements have to bow the knee to these criminals and racketeers to earn their living.

The Freedom of Contract

One of the arguments advanced by those who oppose "Right to Work" laws is that management and labor should have the freedom to engage in collective bargaining on the question of compulsory union membership.

Let us examine this freedom of contract. There are three parties whose interests are affected by compulsory union membership—management, unions, and employees. The management and the union have no right to make an agreement which serves to deprive the employees of their basic constitutional rights, such as the right to work and the freedom of association.

Many years ago freedom of contract was thought to protect the right of management to include in a contract of employment a provision under which the employee bound himself not to join a labor union. A great many people who classified themselves as liberals objected to this. They called it a "yellow dog" contract. They said that it enabled the employer to use his freedom of contract to destroy the freedom of choice of the employee in joining an organization. They said it violated his right of association. I think they were quite right and I am glad they succeeded in securing the passage of statutes which outlawed the practice.

The Norris-LaGuardia Act contained a ringing declaration of policy to the effect that every man should have the right to freedom of choice in joining or staying out of a labor union.

But today those who were against the freedom of contract which produced the "yellow dog" contract are dissatisfied with what they have done. They want to restore the supremacy of freedom of contract, or at least so long as it moves along the other side of the street and permits interference with freedom of association by means of compulsory union membership. What they are trying to do is to turn the clock back.

Actually there is no such thing in this country as freedom of contract with respect to the union shop. The majority of employers in the country are opposed to any form of compulsory union membership. Many of them have nevertheless agreed to the union shop. It is a matter of common knowledge that they have done so not of their own free will but because of coercion—by strikes or threats of strikes. In any field where the ruling influence is coercion freedom of contract is a misnomer.

The Federal Labor Laws

While the Taft-Hartley Act clearly recognizes the right of individual States to pass "Right-to-Work" laws, the Railway Labor Act is different. From 1934 to 1951 the Railway Labor Act specifically forbade a closed shop or a union shop. Under an amendment of 1951 the union shop was sanctioned under certain conditions, any other law, State or Federal, to the contrary notwithstanding.

Under this amendment the non-operating unions on the Santa Fe sought an agreement for a union shop. Similar action was taken on other railroads. Such an agreement would require the Santa Fe to serve notice on all present employees who are not union members that they must join the union representing their craft within 60 days or be fired from their jobs. The agreement would require that new employees join the union within the 60-day period.

It is clear that the proposed agreement contemplates we would use the power of an employer to deprive individual men and women of a freedom which is theirs as an inalienable right. We are asked to fire people for exercising their rights. A right to pursue happiness—a right to get the means of sustaining life—a right of property—a right to work. It is a freedom of individual men and women which it is not our right to bargain away.

The Santa Fe has several thousand non-union employees who, for reasons good or bad or indifferent, but at least satisfactory to them, do not belong to a labor organization.

When the unions pressed their demands for a union shop agreement, a class action was instituted as a test suit by 13 Santa Fe employees at Amarillo, Texas, against both the unions and the railroad. Santa Fe subsequently aligned itself with its employees and against the unions. The District Court at Amarillo found that the proposed union shop agreement would deprive the individual employees and the Santa Fe of rights guaranteed to them under the Constitution. The Court granted a permanent injunction enjoining the signing of a union shop agreement. Also, the order of the court restrains the union from demanding such agreement through use of a strike or through other economic sanctions.

The Court of Civil Appeals reversed the findings of the District Court and the case has been appealed to the Supreme Court of Texas and it will be argued on May 11.

Now, I do not propose to talk too much about this specific case. It is an important case because it raises a question that has never, so far as I have been able to learn, been squarely presented to or decided by the Supreme Court of the United States, namely, whether compulsory union membership is compatible with the fundamental liberties guaranteed by the Bill of Rights.

There have been state court decisions, some one way, some another, but none by the Supreme Court of the United States. What is important is the principle of liberty that so thoroughly permeates the case. The very fundamental liberty which is involved is the right to work without complying, as a condition of employment, with any requirement of membership or non-membership in a labor union.

We are not opposed to unions on the Santa Fe. We have recognized railroad unions beginning in the 1880's, and we think that they have a useful and legitimate place among American institutions.

A Question of Principle

These railroad labor unions are among the very best of the labor organizations in the country. I know most of their executives, and they are good people. I have no quarrel with them personally. My difference with them relates to the question of principle on this specific issue.

We are resisting the demands for a union shop because we think they are contrary to the principles under which this country has been founded, because we do not wish to be a party to depriving our employes of their rights, and because we believe that the subjugation of the individual is contrary to the best interest of all concerned. We think that yielding to the demands would work injury, tangible and intangible, to the company and to the employes, both those who are presently union members and those who are not.

It is an obvious infringement on the liberty of a man to force him against his will to belong to any private organization. This is scarcely denied, but an attempt is made to justify the deprivation of liberty in the case of a labor union on a number of special grounds.

Earlier I mentioned the principle of majority rule. It is said that if the majority of employees unite in organizing a union on democratic principles their decision is binding on all. But this is no more true in a labor union than in any other type of private association.

There is nothing absolute about the principle of majority rule. It is not unlimited. Under free institutions the majority may not encroach upon the fundamental liberties of the minority. The very purpose of our Constitution and of the Bill of Rights is the protection of minorities. Tyranny and oppression are as bad at the hands of a majority as at the hands of George III or a dictator heading a modern police state.

Infringing on Human Rights

There is reason for believing that in America today the danger to liberty from outside our borders is not the only one we face. There is also the inside danger which has its origin in the impulses and emotions which impel the crowd to infringe on individual rights.

Compulsory union membership is also supported by an appeal to the equitable theory that since the union confers benefits on all employes by acting as their collective bargaining representative and otherwise, each of them should be compelled to bear a share of the burden of supporting the organization.

Those who stay out, it is said, are free riders who get unjust enrichment at the expense of the members. Drawing an analogy between union dues and taxes, those who take this view say that democratic principles require non-union men to contribute financial support to the union which represents them. They go so far as expressly to classify union dues as taxes.

These reasons no more support compulsory membership in a labor union than in any other type of association.

The payment of dues to the union cannot properly be likened to taxes. Taxation is a sovereign power and may be exercised by the government alone. There is not the slightest basis for the levying of taxes by a labor union or by any other private association.

Every chamber of commerce, every board of trade, every trade association, every taxpayers league, many fraternal organizations, and many service clubs provide benefits for a group of persons. Quite a few people think one political party or the other provides inestimable benefits to all of the people of the country. Yet would that justify making

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*An address by Mr. Gurley at the 43rd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 3, 1955.

Reflections on the Business Outlook

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

Though asserting business confidence is now probably at an all-time high, Dr. Reierson warns against unrealistic extremes of optimism which may serve as a groundward for later sharp declines in production and employment. Looks for higher corporate profits, but holds task of business now is to follow a policy of orderly inventory accumulation, geared to reasonable predictable sales trends, and, at some time, shunning excesses on the side of expansion.

For many months the business news has become progressively more cheerful and encouraging. About a year ago, indications began to accumulate that the sag in business activity then under way was bottoming out at a level no more than 5 to 10% below the 1953 peak. With the passage of time, furthermore, it became increasingly clear that the economy was not stagnating at that level, as some observers had feared might happen, but was gathering strength for a new and vigorous upturn. Today, the 1953-54 decline has been substantially recouped, the economy continues to expand, and all signs point to 1955 as a banner year.

Roy L. Reierson

Even more impressive than the rapid business recovery, however, is the accompanying improvement in business sentiment. In fact, while the rise in economic activity may become more temperate as more and more industries approach capacity operation, business confidence seems to be increasing and now is probably at an all-time high. This is in marked contrast to the early part of 1953, when the economy was moving toward new peaks but businessmen generally—and accurately—expected some downturn later in the year. Today, those who initially could not find the dynamic forces required to stimulate renewed economic expansion have relearned the practical difficulties encountered in the uncertain art of business forecasting, while those who admitted the reality of the recovery but questioned its duration have gradually found their doubts erased by the plethora of good business reports.

In such an environment, there is a strong temptation to share in the growing expectation of unlimited prosperity which often heralds the final sweep of a boom. The financial analyst, concerned with fundamental values, is most interested in arriving at a balanced and dispassionate appraisal of the economic outlook, swayed neither by uncritical exuberance nor by an emotional distrust of good business in principle. Obviously, it is impossible to forecast with assurance how long business will continue to advance, the heights it will reach, or the nature of any decline that may occur, but by examining the factors that support the current business recovery, it is possible to place the upturn in its proper setting, to appraise some of the elements that give it strength, and to consider also the areas of possible weakness. Thereby, we may be able to develop some reasonable guesses for the remainder of 1955 and perhaps venture some thoughts on the problems that might confront the economy as time moves on.

*An address by Dr. Reierson before the National Federation of Financial Analysts Societies, New York City, May 9, 1955.

Expanding Economic Activity

By and large, the current economic expansion may be described as a "normal" business recovery. The pace of the upturn, while impressive, is comparable with our experience in other periods of recovery from modest business setbacks, such as in 1924, 1927 and, more recently, 1949. The fact that the economy is again at the peak levels of mid-1953, therefore, reflects largely the moderate character of the 1953-54 downturn. Also, some two years have elapsed since the economy last operated at these levels, and during this time productive capacity, population and markets have grown. Consequently, the rapidity of the current recovery movement in itself is not particularly disquieting. However, the upturn has already had some repercussions in commodity prices and interest rates.

Production and Employment—The Federal Reserve index of industrial production in April, 1955, is estimated to have reached the peak of 1953, when the index registered 137 (1947-49=100). Output of durable goods, which dropped rather substantially in the 1953-54 business decline, has advanced sharply in recent months, but is still below its 1953 record. Non-durable goods output, on the other hand, has been less volatile and is now running at or near the all-time high mark. Furthermore, some important basic industries, such as steel, automobiles and construction, are operating fairly close to capacity rates. While no major bottlenecks have appeared as yet, any further rapid increase in production from current levels may meet with greater difficulties than in the recent past.

Some slack probably still remains in the labor force. Unemployment is currently estimated somewhat above 3 million, or 5% of the labor force. This is about twice as high as two years ago, when the economy was at its peak. The slack is probably not as great as the broad statistics would suggest, since the number of unemployed includes not only frictional unemployment, *i.e.*, persons in the process of changing jobs, but also unemployed in distressed localities, persons of uncertain productive potentialities, and those who may not actively be seeking employment. With these adjustments, unemployment is perhaps less than half as large as indicated by the aggregate figures, or about 2% of the labor force, and may be expected to decline further in the coming months.

Commodity Prices—The impact of the business recovery has been felt also in the prices of industrial commodities, the more so as economic expansion in this country has been accompanied by a broad and continuing boom in Western Europe. In fact, for the first time in many years, both Western Europe and the United States are simultaneously enjoying high and rising levels of business activity. As a result, world supplies of commodities have experienced the pressure of growing demands, and some spot shortages have begun to appear.

So far, increases in commodity prices have been fairly moderate, and the effects on the price level as a whole have been about offset by persistent weakness among prices of many important agricultural products. Some industrial raw material prices, however, have stiffened perceptibly, and present prospects point to further rises in the period ahead. At the same time, another round of substantial wage increases is in the making throughout United States industry, which will almost certainly add to the upward pressure upon the price structure in general.

Interest Rates — Finally, the growing momentum of business activity has been accompanied by expanding demands for credit and higher interest rates. Indeed, since the upturn has been especially pronounced in the automobile market and in construction, both of which entail the heavy use of credit, the rise in instalment and mortgage debt has been particularly sharp. Bank loans to business, however, have also shown strength and demands for loans on securities have increased conspicuously.

At the same time, the monetary authorities have shifted their policy from one of active credit ease, which was pursued until late last year, to one designed, at first, to take the slack out of the banking system and, more recently, to exercise a mild degree of credit restraint. As a result, bank reserves are not as freely available as a year ago, and most classes of interest rates have firmed quite noticeably, especially rates on short- and medium-term securities. These securities are generally described as bank-type investments.

Credit continues to be available in large amounts, but there are some signs of less aggressive lending policies. Some mortgage lenders appear less eager to make 30-year loans with little or no down payments; a modest tightening here might help to restrain overborrowing and overbuilding later in the year. Also, bank lending is probably on a somewhat more selective basis than some months ago, when credit was readily available to practically all prospective borrowers. However, the adjustment in bond and money markets has been orderly, and money rates are still low in comparison with the spring of 1953, when the "money squeeze" was approaching.

Furthermore, the financial community has become more familiar with the workings of a flexible credit policy, and views the future with greater equanimity and less apprehension than two years ago. The authorities, in turn, have been cautious and adroit in exercising their powers of credit control and have been careful not to disturb the financial markets. Obviously, credit policy continues to be shaped in the light of economic developments. Consequently, while some further tightening of credit cannot be ruled out, a recurrence of the broad unsettlement and near-panic in bond and money markets witnessed in 1953 may be less likely at this time.

Current Strength in Business

An encouraging feature of the current business upturn is that it reflects largely the initiative of private demands rather than enlarged Federal spending, and is being sustained without the stimulus of huge deferred demands of consumers or business, or of war scares, as was the case through most of the recent postwar decade.

Assuredly, government policies provided some assistance in moderating the 1954 downturn and encouraging the ensuing recovery: the tax reduction early last year helped maintain disposable income and encouraged consumer spending; the more flexible tax treatment of depreciation gave some incentive to business spending on plant and equipment; the Housing Act of 1954 appears to have sparked an upsurge in residential building which is still under way. Credit policy also made an important contribution: the monetary authorities, by keeping credit readily available, averted a spiral of credit contraction; as a result, businessmen were not put under pressure to liquidate inventories, and conditions in the investment market in 1954 remained favorable to long-term borrowers, which in turn contributed to the strength in building and construction.

However, the Administration did not accept the recommendations of some economists for a big increase in government spending; economic recovery actually set in while Treasury outlays were still on the decline and the budget deficit was being reduced. The basic strength in business has come from an expansion in consumer demands, especially for automobiles, from mounting building and construction activity, and from the end of inventory liquidation. Furthermore, these and other factors are still vigorous and are likely to continue to impart strength to business activity not only for the remainder of this year but possibly into 1956 as well.

Consumer Spending — The remarkable success of the automobile industry with its new models last autumn was among the first symtoms of the business upturn. Furthermore, the automobile market has remained very strong so far this year, and despite the prospects for a letdown in the latter part of the year, passenger car production in 1955 seems likely to approximate the 6.7 million units of 1950, the previous peak.

While buying of automobiles has contributed importantly to heightened business activity, consumer spending on most products in general has quickened. The public continues to display confidence in the future, and is willing not only to spend a larger share of its income but also to increase its purchasing power by going into debt in a very substantial way. Personal income is at record levels and is likely to continue to advance with the rise in hours of employment already under way, and the mounting pressures toward higher wage rates. Also, industrial activity seems to be approaching a level that will require adding workers to the payrolls. If we succeed in avoiding sustained or protracted work stoppages in basic industries in 1955, the outlook is for a continued high level of consumer spending for some time ahead.

Building and Construction Activity—Another major support to business stems from building and construction. The tremendous strength in residential building in the second half of 1954 has persisted so far in 1955 and has surprised practically everyone. In part, this may be explained by the record number of births and the growth in family size. Other factors, such as the effect of easy credit under the recent Housing Act, the movement of population to the suburbs, and the increasing number of separate households, are more difficult to appraise, but

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Securities Salesman's Corner

By JOHN DUTTON

Clarify Client's Thinking

Some years ago a very good friend of mine who has developed a large clientele of investors said something like this to me, "I never began to build anything until I decided what I wished to accomplish in the investment business." He then explained to me what he had for many years held a completely muddied conception of his own reasons for selling securities. It was only when he decided that people needed the advice and counsel of a seriously dedicated advisor who would take them into his confidence, and lead them along the paths that were soundly conceived, that he reached an understanding of his proper place in the business world in which he was engaged.

You Must Have Experience

There are many men in the securities business today who will agree with me when I say that you cannot be a dilettante and play around with the investment of other peoples money, if you wish to achieve the satisfaction and the tangible rewards that are available to you in the securities business. Study is its own reward, but it can also lead you to the very top of the profession if you will learn how to sell securities that fit the individual's needs. A man who knows sales psychology and can apply that knowledge to his daily contacts with investors, can absolutely control such an ever increasing volume of business that it would otherwise be an impossible task to accomplish this without adequate training. Then if you combine this skill with a real knowledge of investment and speculation, and of procedures, as well as the ability to select the various types of investment media to suit the needs of a client, that client is not going to do anything without first checking it with you.

Why This Is So

How few people know anything about long-term market trends? How few know how to speculate? How many just rush in and buy on tips that they do not investigate? How great is the factor of mob psychology in determining both "bull" and "bear" markets? How few read the financial page and understand it? How many investors know the implications of money management on the part of the Federal Reserve and the Treasury, of rediscount rate changes, of short-term bill rates? How many of your customers watch the trends of business, of personal lending and installment buying, of mortgage financing?

How many know the difference between a true growth stock and an income stock, or of a cyclical investment? How many know how to gather the facts that are necessary to make a decision regarding whether or not to "buy," "sell," or "switch," and after they have these facts to interpret them in the light of their own tax position, the phase of the market cycle we may be in at the time, and the "timing" of the deed itself when related to the individual stocks themselves? A man who knows the investment business should experience no indecision in these matters, and unless he knows his business his customer will obviously never give him complete confidence.

And What About The Errors?

And you may ask, "All well and good, but how about the inevitable mistakes that even the most skillful and informed investment advisor must make, what then?" The answer is also obtainable through study and knowledge. Your customers must be educated to know that you can do a beter job for them than they can do for themselves but also that you are not God. It is a matter of understanding between yourself and your client. You must constantly inform and educate your clients to the real truths of this business. These truths are simply that risk can be reduced never eliminated. Some mistakes must be made but that you will be first to call them to the attention of your clients if you find that you are wrong.

You cannot speculate blindly but you must calculate risk. Reserve funds are a MUST and they should be used for protection against a turn in the trend (long-term not short) and also those who wish "dollar safety" should buy it and not try to have "growth" or speculative enhancement over the short-term. If you are a doctor be a doctor, don't be a patent medicine quack. Let those who want snake oil go to those who sell it. There are millions of people who are looking for the man who knows how to help them **invest.**

This Market Today

We are in a phase of the market cycle when more inexperienced people are coming in to the stock market every day. The psychology of the usual bull market has been with us since as far back as July, 1949. More people have been gradually attracted to the paper profits that have been accruing to those of their friends who are no longer loathe to hide the fact that they own stocks. The stock market has now hit the headlines and the Congress of the U. S. A. Stock brokers are now popular again and actually sought after, whereas during the thirties most of us in the retail securities business were not quite so popular. We are living in a time when the public wants to buy our merchandise. These periods come along periodically. Someday we will experience a period when stocks are no longer quite so popular as mediums of investment.

It is a fact that the public are "buyers." They don't furnish the securities business with either a static or a continuously increasing market. Their appetite for stocks grows as prices increase, this is true in all normal long-term buying trends or so-called bull markets. On intermediate declines in bull markets the public also normally buys more hoping for a price rise, but in a long-term cyclical decine (bear markets) **their buying becomes progressively less.**

Your customers who are (the non-professional traders and investors) must be **handled carefully from now on.** If you can educate them, gain their complete confidence, and if you know your business, you are going to maintain their accounts in such shape that you'll have a clientele when the next long-term, major bear market is underway. A cycle consists of a major bull market and a major bear market and unless your customers know this and are ready to allow you to show them how to make their capital grow **over the full cycle,** instead of **just on paper** during half of it, they are going to be sadder and wiser and I am afraid you will too.

In conclusion, I am not trying to be a market prognosticator, I am not arguing with anyone, but when the politicians and these who say, "It can't happen again because we have controls, and government safeguards today that we never had before," I am not buying it 100%. My customers know that I would rather have them prepared than sorry. And I am not saying that you should go out today and yell, "fire," but you are just missing one of the best opportunities for demonstrating to your clients that you **are their man** unless you make them understand this one simple fact which is: "The investment of their money is a full time, day in and day out job for them to turn over to someone who knows how to help them **do that job.**"

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Testing the Right to Work —The Santa Fe Case

membership compulsory in these associations, including the political parties?

The "Free Rider" Argument

The theory of the free rider argument is that when an organization is protective or promotive of the interests of a class or group, every member of that class or group should be compelled to join and support the organization. This idea is opposed to the fundamental theory of private organization. A group of people associate themselves to advance their common interests. They try to persuade as many others as they can to join with them but since the undertaking is wholly private and voluntary they can use nothing but persuasion to obtain or retain members. According to the compulsory union membership theory, however, whenever an organization becomes representative of a large number of persons having a common interest, everyone having the same interest should be compelled to join the organization.

For the sake of testing the free rider theory, let us look for a moment at the benefit bestowed upon workers as a class by the investors who raise the capital to build the plant and provide the management whereby workers are given employment. Suppose a law were passed providing that management could require as a condition of employment that all employes must belong to an industry protective association, formed to advance the welfare of the industry as a whole. A strong argument could be made that the corporate employer, by financing, organizing and managing the business, is providing the opportunity for employment which is so vital to the employes, furnishing them as it does with the means of earning a livelihood. It could be argued that the employer is not only investing money and taking risks for the benefit of the employes or the corporation, but is supporting the industrial association to look out for the welfare of all of those engaged in the industry, and therefore, the employes should not be free riders in the organization which likewise functions for their benefit. One could argue that they should be compelled to join the association, to pay their dues and to submit to the charter, by-laws and rules governing the other members of the industry association, which some might argue confers greater material benefits on employes than any labor organizations. Despite the apparent absurdity of this illustration, it has fully as much logic as the case for compulsory unionism.

The final ground that is urged for supporting compulsory union membership is one I touched upon earlier, i.e., that it is necessary for union security. Labor leaders have frequently placed their demands for security on the basis of need. They have said in effect: "We must have the closed or union shop to guarantee our existence and thereby insure protection of the gains of organized labor." Where this idea has been accepted, the acceptance has generally been uncritical and without question. But now that the union shop form of compulsory union membership has spread beyond mere local situations, it is time to evaluate the theory of the need for the union shop as essential to the survival of the union, or to its prosperity and well being, or its successful operation. It is time to test it and re-appraise its role as an instrument of union security.

Fortunately, the yardstick of ample experience in the railroad industry is at hand to test the validity of the assumption that the need for compulsory union membership continues under modern conditions. From 1934 to 1951, the Railway Labor Act specifically forbade closed or union shop contracts in the railroad industry. If the old assumptions about need were sound, one would expect to find that railroad labor organizations fared rather badly in that 17-year period. We all know, at least in a general way, that railroad labor unions have made considerable progress in recent years, and have enjoyed marked success. But we need not speculate—let us see what the record shows.

It is interesting indeed to examine membership figures of the three largest non-operating railroad unions during the period when the union shop was forbidden by legislation. They show a three-fold gain during this very time. The other rail unions expanded in a comparable fashion during the same period.

Membership is not the only area in which these unions have enjoyed outstanding success. By 1952 each had collective bargaining contracts covering substantially all—between 94 and 99%—of the railroad milage in the country.

This experience in the railroad industry does not stand alone. It has its parallel in the growth in the ranks of organized labor in industry after industry without the coercive influence of the union shop or any other form of compulsory union membership.

Dr. Frederick Meyers of the University of Texas testified for the unions in the Texas case I have mentioned. Later, in two addresses Dr. Meyers described a study he had made which revealed that labor unions have experienced a remarkable growth in Texas in recent years, including 1947-1953, when the union shop statute in that State was in effect.

The statute not only did not wreck the unions but did not so much as impede the rapid rate of their growth. There is good reason for believing that compulsory union membership harms rather than helps the union cause. Louis D. Brandeis, a great liberal, said many years ago that "The objections, legal, economic, and social, against the closed shop are so strong, and the ideas of the closed shop so antagonistic to the American spirit, that the insistence upon it has been a serious obstacle to union progress."

We hope that we have made a contribution to an understanding of the issues and have made clear the reasons why we feel that compulsory unionism runs counter to the basic institutions of our form of society.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued in their desultory pattern this week after three consecutive weeks when more issues declined than advanced despite the better action indicated by the averages. The net result was that a narrow trading range of a mere 10 points for the industrials has been built up which is being watched closely for a decisive breakthrough in either direction. For the rails the trading area is even narrower, running less than four full points.

* * *

The day-to-day picture is similarly that of a market pretty well stalemated, at least temporarily. There have been both plus and minus days, but the strength fails to bring out any confident buying and the selling likewise hasn't been able to inspire any follow-through. An air of caution and watchful waiting is prevalent.

* * *

Some Erratic Behavior

What excitment there has been has been pinpointed on a handful of specific situations. Montgomery Ward was something of a one-day wonder, with a peak climb of half a dozen points on the news that its chairman for a quarter century had retired. The action was somewhat drastic because, for one, the retirement had been rather broadly hinted ever since the annual meeting recessed for the long job of proxy-counting. Moreover, an appreciation of that size can discount a lot of good news, so it wasn't at all surprising that the net effect of the short-lived runup was some profit-taking that kept the action restrained afterward.

* * *

Zenith Radio was even more erratic, running out of strength after tacking a couple of more points to its 16-point gain of last week in the week's initial session. But then it, too, came in for some profit-taking on the theory that a climb of this nature was going far to offset benefits of pay-as-you-see television for some time to come. In the ensuing reaction the issue was right down there with the best of the sprinters and at one time was in the minus column by nearly 10 points. The issue was available last year at half its present price but just recently the quarterly dividend was upped a third.

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A Chemical Star

Monsanto Chemical was the star of the chemical division and was able several times to shrug off selling waves and continue to forge ahead to historic price levels. The issue was last split 3-for-1 in 1946, and since it is selling now at well over par it is automatically a boardroom candidate for a new stock split. Its action proved heartening enough for the other issues in the group, so that they were able to turn in superior performances, not the least being duPont which forged farther into new high territory on some sizable daily gains.

* * *

American Telephone bumped into something of a roadblock after slow but steady progress through good and bad markets as caution was generated by the huge new financing hanging over the issue. The company reserved the right to set the terms and bring the $600 million debenture issue to market at its convenience. Recurring reports had its advent imminent, and the stock reflected the uncertainty.

* * *

Radio Ahead of Market

Radio Corp. was in persistent enough demand to do a bit better than the market generally, and put a couple of good-gaining sessions together without attracting profit-taking. It is one of the well-known isues around that is still far from setting any historic peaks although it has worked back halfway to its best price since the historic 5-for-1 split of 1929.

* * *

The electrical equipments settled down to an undistinguished market life, although Westinghouse was a bit heavier than the others, largely because of its poor comparative earnings report. It was something of a feature on the new lows lists when the going was rough, which is somewhat misleading since the stock has held in a range of only around a dozen points until its recent easiness. That, in comparison with some of the other wide moving good names, is a smallish range. General Electric also has a narrow band out of which it could move on any sudden change of sentiment; so far this year it has traveled over an arc of less than 10 points. It hasn't been threatening either side on any breakthrough possibilities.

* * *

Steels have been enlivened only by some wide swings in Bethlehem which occasionally turns weak with determination but so far has shown an ability to rally well as soon as the sinking spell subsides. National Steel, also something of a poor earnings statement casualty, has been laggard more times than not and has settled into a rut somewhat further below its year's high than is the case with most of the others which have been hovering just a shade below their best prices.

* * *

Recurrent Troubles in Aircrafts

Aircrafts keep having their recurrent troubles, even the newish arrival to trading, Temco, sliding into an appearance on the new lows list to keep the dour action somewhat unanimous. United Aircraft is one of the few that hasn't been a feature in new low ground with any regularity, and good earnings helped Curtiss-Wright hold well above the casualty line. But the action of the group this week was a bit more heartening than it has been recently and most of the issues have shown some resistance to any further inroads from the pessimistic selling.

* * *

Despite the excellent pickup in earnings for the first four months of the year, however, the rails have failed to show any decisive pickup. They have been lolling in neglect for the most with some wider but meaningless movements breaking out sporadically among the wider moving issues, such as Santa Fe and Union Pacific. The Eastern roads quieted as the big play in them petered out.

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All the conflicting statements being made over the Salk polio vaccine kept the drug shares tamed and even Sterling Drug has been showing a complete disdain toward its recent dividend hike. Merck and Parke Davis have settled below their year's highs with an exasperating persistence.

* * *

Oils have been among the neglected major groups. Not even a good Royal Dutch earnings report could lift it out of the slough, and forecasts of a good pickup in the business have been ignored on the feeling that the boost given earnings by the good winter demand for fuel oil is ancient history by now. Some large off-board offerings in the oil issues, too, have kept traders wary lest these be a forerunner of unloading by the investment companies which have for so long rated oils as their No. 1 holdings.

[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.]

Neal Mallin With Oppenheimer Firm

Neal Mallin

Neal Mallin, formerly with Dreyfus & Company, has become associated with the New York Stock Exchange house of Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York City, as a Registered Representative.

Frank B. Bateman Has Opened Office in Fla.

Frank B. Bateman

PALM BEACH, Fla.—Frank B. Bateman has opened an office at 243 South County Road to engage in a securities business. Mr. Bateman for many years was an officer of Blair & Co. Incorporated.

Bond Club Stock Exch. Announces "Annual Offering" of Shares

The Bond Club Stock Exchange, which opens for trading once a year at the club's Annual Field Day, has announced its 1955 offering of 2,500 shares of capital stock in an offering circular being distributed to members. The shares, which are convertible, are priced at $10 each. The prospectus pledges a 100% return. Dividends to be declared at the close of the day's trading will set a new high.

Trading in the shares is expected to turn the outing into a typical "bondmen's holiday." It will take place, as usual, in the Stock Exchange tent on the grounds of the Sleepy Hollow Country Club from 10 a.m. to 6 p.m. on June 3.

Gilbert H. Wehmann, Chairman of the Bond Club Stock Exchange Committee, has notified members that subscriptions up to two shares will be allotted in full. Subscription books on the offering will open today and close at 4 p.m., May 25.

Scott Re-elected as Chmn. of NYSE Govs.

Harold W. Scott has been re-elected to serve a second one-year term as Chairman of the Board of Governors of the New York Stock Exchange.

Harold W. Scott

Mr. Scott, a partner in the stock exchange and investment banking firm of Dean Witter & Co., has been a Governor since 1949 and a member of the exchange for 25 years. He started his career in the brokerage business in 1925 after attending Princeton University.

The following were elected to serve three-year terms as Governors: Thomas H. Benton, Benton & Co.; Walter F. Blaine, Goldman, Sachs & Co.; Ralph Chapman, Farwell, Chapman & Co., Chicago; Richard M. Crooks, Thomson & McKinnon; Bayard Dominick, Dominick & Dominick; William J. Meehan, M. J. Meehan & Co.; Alexander R. Piper, Paine, Webber, Jackson & Curtis; Buford Scott, Scott & Stringfellow, Richmond, Va.; E. Warren Willard, Boettcher & Co., Denver.

Elected for a one-year term: C. Peabody Mohun, Stern, Lauer & Co.

Total membership of the Board is 33, which includes three men outside of the securities business chosen to represent the public.

The following Trustees of the Gratuity Fund—which pays death benefits to families of deceased stock exchange members — were re-elected: Charles B. Harding of Smith, Barney & Co.; William D. Scholle of Scholle Brothers; Wm. Skippen Davis of Blair S. Williams & Co.

Elected as the 1956 Nominating Committee were the following:

Douglas G. Bonner of Gregory & Sons; Ernest W. Borkland Jr. of Tucker, Anthony & Co.; Alexander B. Doyle of Weil & Doyle; Charles A. Greenfield of Mabon & Co.; William B. Haffner of Wilcox & Co.; Donald M. Lovejoy of Roche & Co.; Leonard D. Newborg of Hallgarten & Co.; Paul Sperling of Ernst & Co; and William H. Rex of Clark, Dodge & Co.

Prior to his election as Chairman in 1954, Mr. Scott was Chairman of the Advisory Committee on Public Relations which in 1950 and 1951 developed an educational program to increase public confidence in the exchange and to foster a realistic understanding by the public of the risks and advantages of stock ownership.

Richard M. Crooks was elected after a one-year absence from the Board. Mr. Crooks served three one-year terms as Chairman until 1954 when he indicated he was not available for re-nomination.

Bayard Dominick, a member of the exchange since 1938, was elected a Governor in 1954. He sold his membership recently which required him to resign as Governor. He was elected as an allied member of the exchange.

Opens Office

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Cal.—Marjorie R. Duke is conducting a securities business from offices at 2-15 J Street.

T. M. Hawthorne Opens

(Special to THE FINANCIAL CHRONICLE)

VAN NUYS, Calif.—Thomas M. Hawthorne is conducting a securities business from offices at 14507 Sylvan.

Continued from first page

A Positive Investment Program for 1955-1956

ment values, even though they seem high when compared with the bargain prices of the early postwar years.

Once these facts are established, I will develop my present thesis that by the time President Eisenhower should be renominated the market will be primarily interested in discounting the very favorable future economic prospects—which are now perceived by most business leaders and which in due course can be expected to dominate the thinking of investors.

TODAY VS. 1929

The initial or domestic phase of the Great Depression was ushered in, as much by the chronic depression of our agriculture and the speculation in real estate as it was by the much-publicized speculation on the stock market. Agriculture suffered all through the 1920's from two unresolved problems. First, the prices of major farm crops were set in the declining international markets; and second, the rising cost of labor made it necessary to mechanize, which meant that a shift from small-scale to large-scale farming was inevitable. During the last 20 years, the mechanization of our farming has been accomplished. For all of its faults, the AAA has tied farm prices into our domestic price structure so that the threat of a recurrence of bankruptcy farm prices, pulling the rest of the economy into a depression, has been eliminated.

In the 1920's, homes were built with the use of burdensome second and third mortgages and very serious speculation took place in the commercial real estate market. During the Depression, widespread real estate defaults were experienced which critically embarrassed our banking structure. This danger has been eliminated since there has been relatively little commercial real estate built during the postwar period, and the tremendous homebuilding boom has been financed by self-liquidating first mortgages. Although some real concern has been expressed over the laxness of the present home mortgage terms — particularly the nothing-down, 30-years-to-pay, Veterans' loans—the weaker real estate loans all carry governmental guarantees. Although defaults would embarrass the Administration, they would present no critical danger to the structure of the banks in 1955 as they did in the early 1930's.

Before considering the stock market, I should like to point out the absence in 1955 of the prospects that world finances may become involved in another crisis similar to the one which nearly throttled capitalism between 1931 and 1933. The fundamental reason for that crisis was the fact that such uncollectible public debts as the German Reparations and the French-English War Debts were given legal precedence over all private commercial indebtedness. Most students of international finance recognize that these public debts never could have been collected and even the most diehard isolationists must admit that they have not been collected. This is such an important financial point which is so little understood that I should like to have a full period to explain the unnecessary fiscal strangulation which nearly stifled capitalism in this country. But for this talk, it is sufficient to point out that all of our war and subsequent cold-war aid has been on a gift rather than a loan basis. If international aid were to be drastically slashed we would cut into the boom which is occurring in world trade, but we would not at the same time be creating a banking crisis so critical that it would again strangle international trade, devalue the major currencies, and bring about such widespread unemployment as to threaten the foundations of capitalism everywhere.

WELL-INFORMED BUYING

The greatest difference between the 1929 and the 1955 stock markets is the well-informed nature of the cash buying which has carried stocks ahead during the 1950's as compared with the gambling type of margin buying which played the major role during the 1929 boom.

While the theory of investment analysis goes back a long way, the practice of investment analysis stems from the passage of the Truth in Securities Act, and the Securities Exchange Commission in the middle 1930's. Between them, these two enactments require corporations to provide adequate and accurate financial data which enables any student with an investment background to follow the affairs of a company more intelligently than was previously possible. While the manipulation of stocks during the Boom caused the greatest of moral indignation, the fundamental weakness of that period was the fact that even investors had no official way of knowing what they were doing unless they had access to inside sources of information. As far as the public was concerned, such well-placed, direct channels were not available. They received their financial advice third- and fourth-handed at best, and as the market rose during the late 1920's they were perfectly content to commit their investment capital upon the basis of outright tips. In fact, to a great extent the reason for buying stocks required no basis of investment understanding, since such commitments were made largely in the hope that they could shortly be re-sold to someone else at a quick profit. The basic weakness, therefore, was that stock purchases had to be and mainly were based upon investment ignorance. The fact that this ignorance was manipulated in the form of tips and that it was financed with borrowed money merely compounded the fundamental weakness.

Over the past 20 years, the rise in investment analysis has been the most striking development in finance. Not only do individual investors now have a better understanding of the values of the investments which they hold, but there has arisen an entirely new member in the financial community—the professional investment analyst. His place in the scheme of things is in sharp contrast to the lowly position of the poor brokerage house statistician who was his predecessor, and who never would have dreamed of being able to attend national conventions in faraway cities.

The analyst is now part of the higher echelon in banks, insurance companies, trust departments, and in the offices of foundations, universities, etc., which always should have been well informed on investments. And, may I interject here a very strong personal conviction that as ever greater knowledge and availability of facts permit, the public interest will require an even higher standard of performance and of ethics by the professional analyst. He has assumed a commanding position in the affairs of mutual funds, pensions, and profit sharing funds, which have become the most important single source of new investment money in the country. From these vantage points, professional investors have come to know more about industries and individual companies than any investors have ever previously known. In the case of the largest institutions, the professional analysts have specialized in certain lines and have come to develop the most intimate and professional contacts with the top executives of the leading companies in which they specialize. Even where specialization and personal contacts are not the order of the day, most analysts do know more about the companies in their portfolios than was ever considered necessary in the past. They also carry this critical faculty into the review of their portfolios. While their purchases are for cash and for the longer range, they nevertheless continue to review each stock held to see if its performance measures up to expectation and to see if the price advance has outrun the actual accomplishments. These critical reviews have given the market a continuing measure of basic soundness in values which it has never previously enjoyed.

According to the New York "Times," the institutional portfolios under the direction of professional analysts now hold stock equities with an estimated market value of $66 billion. This is about 40% of the value of stock listed on the NYSE and about 25% of the estimated market value of the stock of all of the corporations in the country. While this shows how important are the institutional holdings now under the direction of professional investment analysts, it should be remembered that:

(1) The analytical approach to investing has become the basis of the buying by individual investors whose purchases and holdings must be added to the investment totals which are influenced by that approach; and

(2) The analytical buying has been to the 1950-55 advance what the margin buying on tips was to the 1925-29 Boom.

STATISTICAL REASSURANCE

Although the difference in the soundness in character of the buying is the essential difference between the market today and the 1929 mrket, there are those who must have statistical evidence to be convinced of the difference. Three particularly vivid contrasts are presented:

(1) **Stocks and Business:** Between 1929 and 1955, the value of the Gross National Product (the Department of Commerce's estimate of the value of all goods produced and services rendered) has risen 3½ times to a level of $357 billion, while the market as measured by the Dow-Jones Industrial Average has increased less than 13%. (See Chart.) General Motors is a case in point. Between 1929 and 1954 its sales rose from $1.5 billion to $9.8 billion. This sixfold increase in sales makes General Motors a far sounder investment at $97 today than it was at $45 in 1929;

(2) **Security Credit:** When brokers' loans stood at $8.5 billion in 1929 they amounted to nearly 10% of the value of all the stocks listed on the NYSE. Far more critical was the fact that they amounted to 34% of the loans and discounts of the banks which reported to the Federal Reserve. In retrospect, it is clear that brokers' loans had usurped too large a share of our credit resources and that their liquidation inevitably led to credit collapse. Today, brokers' loans amount to only $1.8 billion—a sum equal to but 1.1%, vs. 10%, of the value of listed stocks and 3%, vs. 34%, of the loans and discounts of the member banks. At this level there is absolutely no danger of the liquidation of brokers' loans threatening either to collapse stock values or deflate our credit resources to the disadvantage of general business; and

(3) **Turnover:** In 1929, when the shares listed averaged only 942 million, the trading volume amounted to 1.1 billion shares. In 1954, when listings amounted to 3 billion shares, the turnover amounted to only 573 million shares. Thus, the 1954 rate of turnover was only one-sixth as great as the 1929 turnover rate, and it would seem to me that this is the best single measure of the relative degree of the speculation in stocks in these two periods.

THE POSTWAR ADVANCE

Following V-J Day, a speculative boom in war-benefited companies outran the results of business, which was in the throes of reconversion. Because these securities did not meet the standards of the professional analysts, they were particularly vulnerable the following fall when the market broke because of the widespread conviction that a postwar depression was inevitable. "Fortune" has estimated that between 1946-49 the historically depression-minded conservatives sold over $2 billion of the choicest investment equities in the country to the portfolios of the growing mutual funds and other institutional investors who were more properly impressed by the investment realities than by choleric sentiments not substantiated in fact.

During these postwar years, investment thinking was profoundly affected by studies made of the investment results of portfolios committed to high grade bonds as compared with the results scored by high grade stocks. Between 1927 and 1949, the income from bonds had dropped by about 45% and the effective buying power of the remaining income had been cut nearly in half by the rise in the cost of living. In contrast, the dividends received from a diversified portfolio of stocks of the Dow-Jones quality had increased so satisfactorily that their larger dividends had served to more than offset the rise in the cost of living. In recognition of these realities, the laws which govern most of our states were altered to allow the purchase of a percentage of common stocks under the "prudent man" rule by private trust funds, life insurance companies, and savings banks. These records so impressed the managers of the newly formed pension and profit sharing funds that their portfolios were organized to include very liberal percentages of common stocks. This noteworthy development promises to continue and soon will be looked upon as a "must" by all foresighted managements. The results of this more favorable thinking has served to boost the estimated institutional purchases of common stocks from a total of $2 million a day in 1949 to $6 million a day in 1954. It has been this institutional buying which

Continued on page 20

TACAN-

Amazing New IT&T development *will revolutionize aircraft navigation*

Gives position of aircraft instantly, automatically, and with accuracy never before attained.

TACAN (tactical air navigation) provides both distance and bearing information in a single "package" about the size of an ordinary shoe kit. This has never been done before!

By integration of functions, and miniaturization into one small unit, TACAN represents a giant stride in aircraft navigation equipment. Add extreme accuracy, and adaptability to varying installation conditions such as on shipboard or for mobile land equipment, and you know why TACAN is described by military and civil aviation officials as one of the most significant advances in many years.

TACAN is the result of a series of development programs sponsored by the U.S. Navy and the U.S. Air Force at Federal Telecommunication Laboratories, a division of IT&T. It is another of the outstanding IT&T research and engineering "firsts," and major contributions to safer, more dependable flying.

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IT&T

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION
67 Broad Street, New York 4, N. Y.

National Container Securities Offered

Public offering of $7,000,000 of 4½% 15-year sinking fund debentures due May 1, 1970, and 250,000 shares of common stock, of National Container Corp. was made yesterday (May 11) by two underwriting groups. The debentures were offered at 100% and accrued interest, and the common stock at $15.75 per share.

Halsey, Stuart & Co. Inc. and Van Alstyne, Noel & Co. are offering the debentures, while the common shares are being offered by a group headed by Van Alstyne, Noel & Co.

Net proceeds from the financing will be applied by the company to the discharge of outstanding bank notes; to discharge the cost of certain machinery and equipment now held under lease; to pay for current construction commitments and the cost of completion of a new mill near Valdosta, Ga. The balance of the net proceeds will be added to the general funds of the company, and used to reimburse its treasury for capital expenditures in connection with acquisition of timberlands, plant improvements and for additional working capital.

The debentures will be redeemable at the option of the company and for the "Contingent Sinking Fund," at prices ranging from 104.50% to 100%, in each case plus accrued interest. They will also have the benefit of a "Fixed Sinking Fund," calculated to retire approximately 89.25% of the debentures prior to maturity, at 100% plus accrued interest.

National Container Corp. and its subsidiaries are engaged primarily in the manufacture and sale of kraft linerboard, semi-chemical corrugating medium, kraft bag paper, corrugated and solid fibre shipping containers and multiwall bags made principally from kraft pulp of their own manufacture. As of the present time, the company and its subsidiaries operate a total of six paperboard mills, 19 converting plants, and three bag plants. The company has acquired through subsidiaries substantial timber acreage, but its policy is to obtain the major part of its pulpwood requirements from outside sources and thus conserve owned timber reserves.

For the year 1954, National Container Corp. and its subsidiaries had consolidated net sales of $75,601,294 and net income of $3,527,769, equal to $1.01 per common share.

Chicago Street Club Elects New Officers

CHICAGO, Ill.—At the recently held annual dinner meeting of The Street Club, the following officers were elected for the 1955-56 year.

President — Burton J. Vincent, Burton J. Vincent & Company.

Vice-President—John C. Sturgis, Continental Illinois National Bank.

Secretary—William M. Witter, Dean Witter & Co.

Treasurer—Andrew G. Weeks, Vance, Sanders & Company.

The Street Club is an association representing the younger executives in Chicago's financial district. It was organized immediately after the war in 1946 and presently consists of over 125 members from Chicago banks and financial houses.

With Federated Secs.

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La.—Fred L. Brown, Clarice T. Bryant, Jules R. Gueymard, Heln B. Montgomery, and Archie R. Wright are now with Federated Securities Corp., Louisiana National Bank Building.

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A Positive Investment Program for 1955-1956

has absorbed Korean War-scare selling in 1950 and the selling by the cyclically minded investors in 1953, when the combined tighter-money policies of the new Administration and the smaller needs of the Korean theatre threatened to bring about a sizable business correction.

The 1954 market resembles, in many ways, the markets of both 1925 and 1935 when the advance in stocks preceded, and then vigorously participated in, the broad upturn in business which occurred during the last quarter of those years. Last November's market advance was particularly brisk, because many of the institutions postponed part of their buying needs to see how stocks would react to a Democratic victory in the Congressional elections. When the returns were in, their favorable interpretation coincided with splendid business news so that this pent-up buying power created a veritable "runaway" on the upside. The pace of this advance was so swift that it aroused the shades of 1929 and so far has resulted in a boost in both margin requirements and the re-discount rate and in a Senate investigation.

FAIR VALUES

While today's stock prices seem high when compared with the depression-minded years of 1946-49 and low when compared with the New Era year of 1929—they actually provide eminently fair investment values. In reaching this conclusion, we have reviewed the course of the market in the five prewar years 1935-39 and have correlated a representative price for that period and the average earnings reported and dividends paid.

On balance this was not an exuberant period, because it started with investors shell-shocked by the Depression and finished with the world at war. The 1937 boomlet was offset by the 1938 recession. While the Dow-Jones Industrial Average moved over a 100-point range during these years, we feel the price of 140 is a representative one since:

(1) It is within 3.5% of the actual arithmetical mean and

(2) In about two-thirds of the 60 months under review, the Average either sold over 130 or below 150.

Using 140 as a representative price for 1935-39, the Dow-Jones Industrial stocks sold at an average price-times-earnings-ratio of 16.3 and yielded 4.5% on the average of dividends paid. This appears to be a very reasonable appraisal of what investors considered fair prices in the prewar period when interest rates averaged about their present levels.

Today, the Dow-Jones Industrial Average sells at only 14.8 times the 1954 earnings and provides yields of 4.6% based on the probable dividend payments in 1955. Today's dividend payments amount to less than 66% of last year's earnings, while the 1935-39 dividend payments amounted to approximately 75% of the earnings reported for that period. Therefore, today's price levels are actually below the fair-investment value levels established by the stock market itself in the 1935-39 period as valued by earnings and dividends. (See Table.)

However, from a more realistic analysis, the present day earnings are further undervalued in comparison with the prewar period since they are the earnings which remain after research expenditures that far exceed those of the prewar period and, in many cases, they have also been penalized by very heavy amortization charges brought about by heavy plant expansion during and after World War II. Research expenditures are essentially an investment in future products and profits—a point that is positively established by Union Carbide, which reported that 28% of its 1954 sales and 42% of the profits were derived from products which did not exist in 1939.

In other instances, today's earnings are understated because of the amortization charges which are allowed as accelerated depreciation on facilities built to meet the needs of the Korean emergency. In the case of some companies which undertook major facility expansion, their amortization charges run several times the normal depreciation charges. The effect of such amortization upon the reported earning power is so marked that some analysts prefer to consider their market prices in relation to the cash flows into their treasuries rather than upon the earning powers which have been so minimized.

THE 1955 MARKET

As we move into the second quarter, it is clear that 1955 will be a record-breaking year for both general business and corporate earnings and dividends, but it may be held back investment-wise by a series of psychological factors and a very sizable volume of new common stock financings. The principal outside factor is the fear in the hearts of many oldtimers that 1955 may be either the 1928 or 1929 of the postwar boom in stock prices. Because the Dow-Jones Industrial Average has advanced from 265 in September 1953 to 430.6 in April 155, the scope of the advance may well presage a technical reaction. It is not surprising then, that we have already witnessed two such wide swings as investors, fearful of a repetition of 1929, threw their stocks overboard in January when margins were raised and again in March when the Senate investigation was in progress. It is significant that the April boost in the Federal Reserve re-discount rate brought about very little liquidation, which would seem to indicate that the 1929-minded have run out of stocks, at least at current levels, even though further tightening of money rates may influence the market later this year.

The ability of the market to absorb the General Motors' stock offering during the unsettled trading in March indicates that new stock offerings can be expected to retard the advance of the market, rather than unsettle stock prices.

In the months ahead, it is quite possible that the stock market will be faced with a showdown in Formosa and a labor crisis over the Guaranteed Annual Wage. Never before has an international crisis been so widely considered as Formosa, but I, for one, have relinquished my earlier concerns and now agree with the stock market's attitude. This indicates that this crisis will be minimized just as the Indo-China crisis was minimized last year. The same type of reasoning holds for the Guaranteed Annual Wage, which has received so much publicity that the market's lack of concern would appear to indicate that investors generally are expecting a skirmish in 1955 rather than an all-out conflict.

Because Britain felt it necessary to raise its re-discount rate by 1.5%, some investors have feared the possibility that the record-breaking totals of international trade may be going to diminish. It should be recognized that the British action was taken to curb inflation at home rather than to curtail world trade. Therefore, it would seem that so long as the U. S. A. goes along with a substantial international aid program there is very little likelihood of international commerce falling to a point that would have serious repercussions on the level of American business.

On the domestic scene, it is quite possible, now that real estate mortgages have passed the $75 billion level and total consumers' credit the $30 billion level, that the Administration will seek to curb their rapid rates of advance. If it does so decide, it will curb them by higher money rates just as it did in the case of the 1953 inventory boom. Just as in 1953, it is practically certain that these curbs will be ended as soon as the boom tendencies are relaxed, since—

(1) 1956 is an election year;

(2) The instalment loans, which amount to only 12% of the disposable national income—about the ratio which caused no particular concern in 1940—cannot be considered critical; and

(3) The demand for new homes has continued to be amazingly strong, so that the only vacancies are in obsolete or submarginal housing no longer acceptable by the present day living standards.

In view of the mildness of the 1949 and the 1953-54 business set-backs under the cushioning of cheap money, it does not seem likely that the market will be willing to liquidate itself to any substantial degree in anticipation of the temporary credit restraints which may be in prospect.

REAPPRAISING THE PRESENT

Mr. Bernard Baruch has often noted that the Latin verb "speculare" means to observe. Therefore, in considering the longer-range future, it seems most advisable to anchor one's investment forecast to the compelling shift which has been observed to take place in business psychology over the past two years.

President Eisenhower's leadership is primarily responsible for this shift towards realistic optimism on the part of business leaders. Without turning back the clock on social progress, his sensible administration of the controversial laws and policies which he inherited has served to reconcile most business leaders to them. His leadership has given them—

(1) The hope that peace can be maintained through our strength in the air—even though on this basis "security shall become the sterile child of terror";

(2) The belief that we are winning the cold war, since the economic recovery of Europe makes it unlikely that Communism will take over by subversion, and far less likely that a military adventure will be attempted either before or after Germany rearms;

(3) The intuitive feeling that similar measures may in time work out in Asia, since we can offer those backward people greater spiritual and material aid than can the Communists;

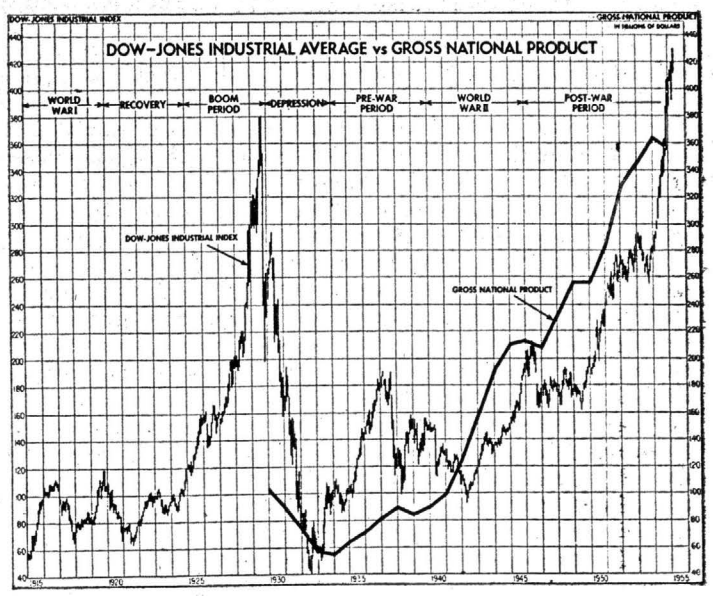
(4) The realization that nearly 90 million American people belong to the owner class of families, up from 10 million at the turn of the century. By owner families, I mean families which are well-fed, well-housed, well-clothed, and whose buying power makes possible the phenomenal sale of cars, appliances, and medical services which makes our living standards the marvel of all history as well as the envy of the rest of the world. In addition, these owner families have an unprecedented degree of protection through life insurance

Continued on page 22

DOW-JONES INDUSTRIAL AVERAGE

Dates	Price	Earns. for Year	Price/Earns. Ratio	Div. for Year	Payout in %	AAA Bond Yields	Dividend Yields
1929 Peak (Sept.)	381.2	19.94	19.1	12.75	63.9	5.37	3.34
1935-1939 (Average)	140.0	8.60	16.3	6.29	73.1	3.15	4.49
1937 Peak (Mar.)	194.4	11.49	16.9	8.78	76.4	3.15	4.52
1942 Low (April)	92.9	9.22	10.1	6.40	69.4	2.75	6.89
1946 Peak (May)	212.5	13.63	15.6	7.50	55.0	2.59	3.53
1949 Low (June)	161.6	23.54	6.9	12.79	54.3	2.83	7.91
1950 March	203.5	30.70	6.6	16.13	52.5	2.69	7.93
1953 April	274.7	27.23	10.1	16.11	59.2	3.36	5.86
1953 Low (Sept.)	255.5	27.23	9.4	16.11	59.2	3.35	6,31
1955 Peak (April)	430.6	32.00*	13.5	20.00*	62.0	3.05	4.59

*Estimated.



Progress Report 1954

Safeway's Story in Figures...	1954	1953
SALES	$1,813,516,636	$1,751,819,708
Income from dividends, interest and other sources	226,002	283,199
Cost of merchandise—paid out to farmers and other suppliers of goods and expended for manufacturing and warehousing	1,531,502,208	1,484,147,500
Total operating and administrative expenses, other charges and provision for income and excess profits taxes	268,256,659	253,410,675
NET INCOME	13,983,771	14,544,732
Dividends to preferred stockholders	1,915,397	1,914,418
Net Profit applicable to common stock	12,068,374	12,630,314
NET PROFIT PER SHARE OF COMMON STOCK based on average number of shares outstanding during the year	3.52	4.31
Dividends to common stockholders	8,336,264	7,090,916
Dividends per share to common stockholders	2.40	2.40
Number of new stores opened during the year	44	16
Number of stores closed during the year	83	71
Number of stores in operation at end of year	1,998	2,037

Quick Facts:

Safeway set a new sales record in 1954. Total net sales showed an increase of $61,696,928 over 1953.

Due to the Company's decision to meet trading stamp competition head-on throughout its operating territory, net profit was slightly less than earned in 1953.

All of the Company's 4½% Convertible Preferred Stock was called for redemption April 1, 1954. All outstanding Convertible Preferred was converted into common stock.

April 21, the Company issued and sold 267,000 shares of new 4.30% Convertible Preferred Stock. Proceeds from the sale were applied on short term bank loans.

Uninterrupted cash dividends have been paid on all outstanding shares of Safeway's common and preferred stocks since the Company's incorporation in 1926.

1954 was impressive from the standpoint of Safeway's construction program. 44 new retail stores, 39 in the United States and 5 in Canada were completed.

74 retail stores were under construction and should be completed by July, 1955. Plans and specifications were prepared or in the process of preparation for 94 retail stores. These stores should be in operation before the end of 1955.

Excellent relations existed between Safeway, its employees and their union representatives during 1954. No serious labor controversies or work stoppages took place during the year and none existed at the year end.

Liberal group insurance, retirement and profit-sharing programs are available to Safeway employees.

Lingan A. Warren
President

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SAFEWAY STORES
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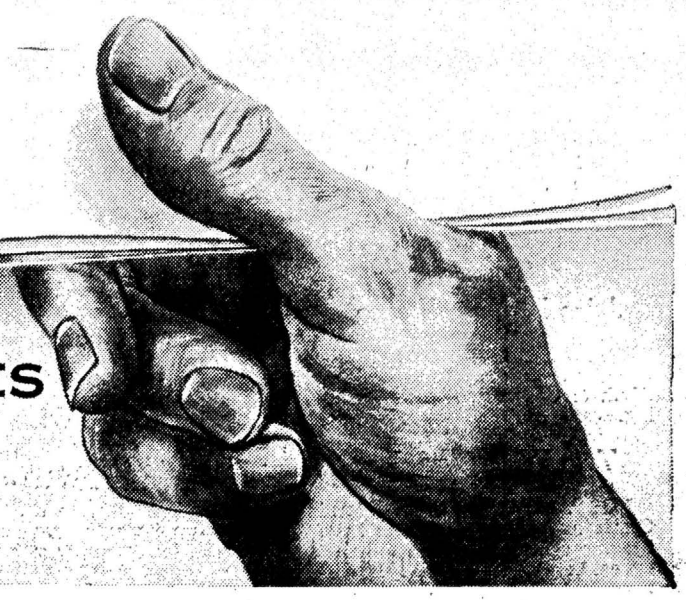
Safeway is the World's Second Largest Retail Food Concern



Harvey Consultant of Florida's Proposed Inter-Amer. Center

Appointment marks important progress toward underwriting of vast Exhibition and Trade project in Miami. Lehman Brothers chief underwriters.

Rapid progress toward completion of the underwriting of the Inter-American Center Authority's huge permanent Exhibition and Trade Center in Miami, Fla. —now to be a $70 million bond issue is indicated by the appointment of Maxwell B. Harvey as consultant of the Authoritys management staff. This announcement was made May 4 by the Authority's Chairman, Dr. W. H. Walker. "Mr. Harvey," said Dr. Walker, "is a well-known specialist in the field of world's fairs and exhibitions."


Maxwell B. Harvey

Mr. Harvey will direct his attention to the planning problems now being worked out so the authority can get its construction program under way as soon as the underwriting is completed. Lehman Brothers are the managers and underwriters of the contemplated issue, with Van Alstyne Noel & Co., acting as co-managers.

The development will be on an 1,800-acre tract bordering Miami's Biscayne Bay. By January, 1958, the target date for opening, the participation of exhibitors and concessionaires is expected to increase the total investment to more than $200 million.

The Center of the Americas has been recognized since its unveiling last November, as the United States' powerful and imaginative answer to the pressing problem of strengthening and aiding Inter-American trade and building political and cultural relations. A permanent, self-sustaining meeting-ground for all the nations of the Western Hemisphere, the Center of the Americas will be larger than any previous World's Fair.

"Mr. Harvey's appointment at this time when the Authority is working closely with bond counsel in preparing the bond indenture for validation by the Florida Courts is perhaps the best indication," Dr. Walker stated, "of the confidence both the Authority and the Underwriters have in the progress of our negotiations. The specialized knowledge of Mr. Harvey will be drawn upon heavily during the drafting of the indenture."

As Director of Operations at the New York World's Fair and previously as Assistant Director, Mr. Harvey was directly responsible for the supervision and management of 3,200 employees during both the operating and rehabilitation years.

(An article detailing plans for the Center appeared in the "Chronicle" of Nov. 18 last.)

Joins Blyth in Fresno

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Robert F. Wilkins has been added to the staff of Blyth & Co., Inc., Rowell Building.

Two With Calif. Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Fred Castle and David A. Yoder have become affiliated with California Investors, 3924 Wilshire Boulevard.

Continued from page 20

A Positive Investment Program for 1955-1956

and have become owners of equity stocks, either directly or through their pension, profit sharing, or insurance funds. They enjoy unparalleled working conditions, a 40-hour week, vacations with pay, and job security. It is this remarkable living standard, which these 90 million fortunate people have won over the past 50 years, which has made complete nonsense of Karl Marx and his degrading philosophy and prophecies;

(5) The recognition that Socialism has joined Fascism on the junkheap of world opinion; Britain, France, Germany, and Italy are presently governed without Socialist support, and in this country the leading Socialists are publicly recanting their errors as they run for cover;

(6) The satisfaction of witnessing a real relaxation in the domestic political tensions, with the moderates in control of both parties—embarrassed rather than dominated by their extremist colleagues who less than a year ago seemed to be in much more commanding positions;

(7) The understanding that the huge wartime increase in productive capacity no longer threatens us with over-production, but is needed to supply the huge mass-buying power that has been building up over the past 20 years; and

(8) The conviction that future business corrections can be limited both in extent and duration, because—

(a) The mass-buying power, buttressed by various governmental supports, was so well-sustained in both the 1949 and the 1953-54 business corrections; and

(b) Of better fiscal controls, under which the Federal Reserve has tightened money to curb unwarranted boom tendencies and has eased money rates to cushion the subsequent periods of readjustment.

A STIMULATING OUTLOOK

This new sense of reassurance may not prove to be fully warranted over a long period of years, yet it has already filtered down to investors and has provided a great deal of the buying philosophy which has made possible the new 1954 advance. Business leaders are now turning the satisfaction with the present into optimism towards the future. The fundamental basis for their optimism is the dawning of the atomic age, the trend toward automation, and the tremendous growth in our population which can reasonably be expected over the next 10 to 20 years. Limiting our thinking to the next decade, it now seems clear that we will see our population grow from 162 million today to well over 190 million in 1965. This increase in itself will expand our mass market by 20%, and if it continues to be accompanied by a normal improvement in our living standard the beneficial results will be compounded. Therefore, business leaders are preparing to participate vigorously in the growth predicted by:

(1) President Eisenhower's economic advisors, that our economy will expand by the early 1960's to a Gross National Product of over $500 billion vs. today's total of $375 billion;

(2) The Clay Commission's report that by 1965 there will be 75 million cars upon the roads—a prospect which delights the hearts of those who will contribute to the building of the $101 billion of new highways found to be needed, and to the hearts of of the manufacturers of autos, steel, tires, glass, accessories, and gasoline; and

(3) The construction economists, who forecast that by the early 1960's new family formations will exceed the present rate of our home building, which depends upon the replacement market to a very considerable extent.

These enticing predictions are influencing almost every major line of industry, and dynamic business leaders are planning to meet our expanding economy with improved technology which will provide both better and cheaper products on which they expect to make larger profit margins than they are enjoying today. Just as their confidence was reflected in investment psychology last year, it is almost inevitable that their growing optimism for the future will in due course be reflected in investment psychology. This prospect is made rather certain by the fact that the continuing institutional demand for investment-grade stocks is still in excess of the available supply of these shares. Even if this institutional buying is postponed, it will provide an extraordinary structure of support under the market and probably will result later on in extraordinary buying pressures such as we witnessed last November.

REALISM

Each period of extreme market tension has been preceded by a prolonged period of unrealistic investment caution. The years 1922-24 were preludes of 1928 and 1929; 1934 was a prelude of 1937; however, neither of these periods compared with the unrealistic caution of the years 1946-49. Probably the easiest way to measure the extent to which this over-caution has become discredited is to consider the fall in prestige which Mr. Seward Avery has experienced. By far the most persuasive preacher of the inevitability of a postwar depression, he practiced the caution which he preached, upon an historic scale. In 1955, Mr. Avery finds himself fighting for control of his mail order empire. In the course of this struggle, he has finally authorized the building of his first postwar retail store and has had to sign his first contract with union labor. Based upon past precedent, the repudiation of Mr. Avery's caution will be a strong factor in refuting future warnings of caution from whatever source.

Before the forces of optimism can be expected to take over, we believe the market will be restrained by the combination of critical outside factors and the prospect of the Administration stepping-up its measures of restraint. However, these external forces can last for only a definite period, and it is my guess that their restraining influences will be on the wane by the time it becomes certain Ike will be a candidate for re-election. Once that fact is clear, the market will focus its attention on discounting the future—which is another way of saying that it will put an enthusiastic valuation upon the accomplishments of the present.

To arrive at some measure of what an enthusiastic valuation may mean, it is well to review the past and the present. Certainly the market was selling at a pessimistic valuation in June 1949, when the Dow-Jones Industrial Averge sold to provide a 7.5% yield, in contrast to the interest rate which was only 2.8%. Their present 4.6% yield is certainly a fair one as compared with the average of the prewar years, and compares with the current interest yield of 3.1%. It would be my best guess that an enthusiastic evaluation of the Dow-Jones Industrial Average would carry the yield to within at least ½ of 1% of the interest rate—which would mean a drop of 1% in their dividend yield.

On this premise, I would expect the Dow-Jones Industrial Average to advance to a level of at least 550 by the time President Eisenhower attends his second Inauguration. Since it is not unlikely that earnings and dividends may both expand next year, and that enthusiasm may become more pronounced—it is quite possible that the over-all advance will be of greater proportions.

INTELLIGENT RESTRAINT

Even though the prospects favor a very important advance in stock prices due to an investment williness to discount the favorable prospects of the future, it certainly is not the time to "Be Brave, Bold, Borrow, and Buy," since—

(1) Stocks are no longer at such bargain levels that the mere passage of time practically guarantees a substantial profit;

(2) The combination of outside developments plus Administration restraints is bound to raise doubts in the minds of those who are not convinced of the values of the stocks they are holding; and

(3) Ike possibly may not be available as a condidate in 1956.

I would like also to caution this audience against being stampeded into a form of New Era philosophy when, as, and if the market decides to price itself enthusiastically. I say this advisedly, because when the market is enthusiastic, the entire country has little respect for caution so that braking the use of credit becomes a very unpopular activity. Each major business cycle has seen credit abused. In 1919-20, speculative inventories were bought on bank credit. In 1929-30, we liquidated stock market margins and the second and third mortgages on real estate. Between 1931-33, we were bedeviled by how to eliminate German Reparations and the British-French War Debts—credit encumbrances which never should have been created and which nearly bankrupted capitalism before is was decided to forego their collection.

At present, the danger of abusing credit would appear to lie in the field of consumers' credit which is currently held in such high esteem. If consumer loans of all sorts are not held within reasonable bounds we will find that, as a nation, we have over-inventoried ourselves and have mortgaged our future buying power in the course of financing the exuberance of a boom. It is to be fervently hoped that the Administration will be wise and courageous enough to take the necessary steps to prevent credit getting out of hand in this very important area. This last consideration is one that should be watched in the future, since it will have little bearing on the market fluctuations we expect in the near future or on the important psychological advance which appears to be germinating during the present uncertainties.

A POSITIVE PROGRAM

The following basic points should be covered by any positive investment program which hopes to balance the reality of present values with the speculative prospects which are going to seem so compelling to future investors. Such a program should be based upon the selection of individual stocks where—

(1) The present values can be established so securely that they will be held with confidence in the face of new stock offerings and the selling waves which can be expected to continue at intervals over the period immediately ahead;

(2) The 1955 results promise to be favorable that, upon the publication of each quarterly statement, they will attract additional investors. Particular attention should be paid to "cash flow" stocks with hidden earnings due to amortization charges, and to successful research companies whose heavy scientific outlays should be converted into products and profits for tomorrow; and

(3) The future prospects appear to be so especially favorable that they will inevitably attract important investment funds when the stock market's attention will be primarily concerned with discounting the future.

The industries with excellent 1955 earnings' prospects include—

(1) The paper industry, which promises to establish new records for almost every major line of paper products—

	Recent Price	Dividend	% Yield	Net per Share 1954
Crown Zellerbach	$75	$2.40	3.2	$4.00**
St. Regis Paper	41	1.80	4.4	2.62
Union Bag & Paper	80	3.50*	4.4	6.09

(2) Those aircraft companies which can be expected to report larger earnings and pay larger dividends in 1955, and so run counter to the profit-taking tendencies now apparent in this group which has moved ahead so fast over the past two years—

	Recent Price	Dividend	% Yield	Net per Share 1954
Boeing	$62	$3.00*	4.8	$11.39
North American Aviation	52	3.50*	6.7	6.46
United Aircraft	70	4.00	5.7	7.66

(3) West Coast oils, which continue to be little affected by the imbalance in the supply situation east of the Rockies—

	Recent Price	Dividend	% Yield	Net per Share 1954
Honolulu Oil	$76	$2.50	3.3	$5.46
Richfield Oil	65	3.50*	5.4	6.39
Standard Oil Co. of California	79	3.00†	3.8	7.04
Union Oil Co. of California	51	2.40	4.7	5.26

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UNION PACIFIC RAILROAD COMPANY

FIFTY-EIGHTH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1954

REPORT OF THE BOARD OF DIRECTORS

New York, N. Y., April 28, 1955.

TO STOCKHOLDERS OF UNION PACIFIC RAILROAD COMPANY:

The Board of Directors submits the following report for the Union Pacific Railroad Company, including its Leased Lines,* for the year ended Dec. 31, 1954.

CONDENSED STATEMENT OF INCOME

	1954	1953
Operating revenues	$481,786,451	$530,024,300
Operating expenses	$365,858,880	$400,427,365
Taxes (including taxes on income from oil and gas operations and other non-transportation sources)	63,686,778	77,636,443
Equipment and joint facility rents—net charge	22,679,243	23,100,566
Net income from transportation operations	$ 29,561,550	$ 28,859,926
Net income from oil and gas operations (excluding income taxes)	33,743,135	34,318,992
All other income	12,133,390	13,003,414
Total income	$ 75,438,075	$ 76,182,332
Fixed and other charges	5,815,410	5,752,119
Net income from all sources	$ 69,622,665	$ 70,430,213
Released from "Reserve against possible refunds on U. S. Government shipments"	--------	535,127
Total for disposition	$ 69,622,665	$ 70,965,340

As indicated above, net income from transportation operations includes taxes on income from other sources, in conformity with accounting regulations of the Interstate Commerce Commission. If Federal taxes on oil and gas income were added back to transportation income and subtracted from oil and gas income, net income from transportation operations would be $40.3 million in 1954 and $39.8 million in 1953, while net income from oil and gas operations would be reduced to $23 million in 1954 and $23.4 million in 1953.

Total income for disposition, before appropriation of dividends on preferred and common stocks of Union Pacific Railroad Co., represented a return of 7.23 per cent on the average equity during the year of Union Pacific Stockholders in the Company (par value of capital stock plus surplus), which compared with a return of 7.69 per cent in 1953.

Net earnings per share of common stock, after preferred dividends, amounted to $14.76, or 31 cents less per share than in 1953.

OPERATING REVENUES

The number of tons of revenue freight carried was 6.7 per cent less than in 1953, although the average haul per ton (about 615 miles) was slightly longer. The reduction in the volume of *freight traffic* was principally in the movement of west-bound manufactured products due to continuance throughout 1954 of the slow-down in economic activity, in many industries, which started in the latter part of 1953. **Freight revenue** was also adversely affected by a decline of 3.1 per cent in average revenue per ton-mile resulting from a relatively greater decrease in the volume of commodities (such as manufactured products) carried at higher freight rates than in the volume of commodities carried at lower rates. There was no change in the general level of freight rates.

The largest *decreases* in revenue were in *automobiles, other vehicles, and parts,* because of lighter demand and some diversion to highway motor carriers; *ammunition and explosives,* reflecting reduced military requirements in the Far East; *iron ore* and *iron and steel products,* chiefly due to the closing of one steel plant on the lines of the Union Pacific and reduced operations of other steel plants throughout the country; *machinery and parts,* as result of the lower level of business activity; *bituminous coal,* because of milder weather conditions and continuation of the trend toward the use of other fuels; *petroleum oils,* mainly because of diversions to pipe lines and highway motor carriers; *beer,* caused by a decline in movement from Middle Western breweries to Mountain and Pacific Coast States which were supplied to a greater extent by local breweries; and *wheat,* occasioned by smaller crops and reduced exports from Pacific Coast ports.

The largest *increases* in revenue were in *lumber,* resulting from heavy movement from Pacific Coast States (the construction industry being an outstanding exception to the general slackening in economic activity), and *soda products,* due to greater production at plant at Westvaco, Wyoming. A favorable factor, also, was the expansion of the service for handling *highway truck trailers on flat cars.* This new service in territory between Los Angeles and Salt Lake City, which was inaugurated last year, met with such favorable reception by shippers that further expansion was decided upon. The service is now in operation over the Union Pacific between Los Angeles and Seattle, and arrangement has been entered into with the Southern Pacific Co. for similar service between the San Francisco Bay area and points on the Union Pacific in Utah and Southern Idaho. The service will be extended to other sections of the railroad, as warranted.

The decline of 12.9 per cent in **Passenger revenue** was occasioned by reduced rail travel generally, fewer military movements, and a trend toward greater use of coach service at low fares.

The increase in **Mail revenue** resulted from a 10 per cent increase in compensation for handling and transporting mail retroactive to October 1, 1953.

The decline in **Express revenue** was due to a general decrease in movement of rail express traffic.

The decline in **Other revenue** was principally in receipts from boarding outfits operated for employes, because of fewer outfits in service, and from dining and buffet cars due to decreased travel.

OPERATING EXPENSES

A substantial proportion of the decrease in operating expenses was occasioned by the lesser volume of freight traffic handled, and the remainder was primarily due to the further substitution of diesel and gas-turbine locomotives for steam, and improvement of plant and facilities.

The increased use of diesel and gas-turbine locomotives resulted in substantial economies in the use of fuel and other supplies, cost of repairing locomotives and in enginehouse and other expenses. The effect of the economies is not fully reflected in the reduced operating expenses because of absorbing charges of (a) about $6,500,000 resulting from increased wage rates paid to employes, and (b) about $2,600,000 for certain estimated expenses, such as claims for damage to freight, personal injuries, etc., accrued in the accounts under Section 462 of the Internal Revenue Code of 1954 (it may be that Section 462 will be repealed or amended, with retroactive effect, and the anticipated Federal income tax benefit may therefore not be realized). There was also a net increase of about $2,000,000 in depreciation and retirement charges, resulting chiefly from depreciation on additional equipment acquired.

The principal increase in *wage rates* was 5 cents per hour retroactive to December 16, 1953, which was granted to operating employes (such as conductors, engineers, brakemen, firemen and switchmen). These and nonoperating employes (such as shop, maintenance of way, clerical and telegraph), having 15 years or more of continuous service, were also granted a third week of annual vacation. Additionally, nonoperating employes generally were granted seven "paid holidays" per year effective May 1, 1954.

The average number of employes in 1954 was 49,823, a reduction of 6,111, or about 11 per cent under 1953, whereas total wages and salaries paid ($231,035,018) represented a reduction of only about 8 per cent. Wages charged to operating expenses per share of common stock, amounted to $49.89, or $3.87 less than in 1953, but other operating expenses per share of common stock in 1954 ($32.41) decreased by $3.90 under the previous year.

TAXES

Federal income taxes were less because of decreased taxable income in 1954 and adjustment of overaccrual of income taxes for 1953. In determining income taxes for 1954, taxable income was reduced approximately $22,232,645, or $8,336,609 more than in 1953, representing amortization, on a 5-year basis, of portions of the cost of equipment and other improvements certified by the Office of Defense Mobilization to be necessary in the interest of national defense. This amount exceeded charges against income, under Interstate Commerce Commission regulations, for depreciation on such improvements, by $17,750,644, or $6,223,756 more than in 1953, thus reducing income taxes about $9,230,335 in 1954, or $3,236,353 more than in 1953. The consequent betterment in net income for 1954 was equivalent to $2.08 per share of common stock, or 73 cents more than in 1953. However, such reduction in income taxes constitutes a tax deferment only and not necessarily a true tax saving, because after the cost of the improvements has been amortized, no depreciation on them will be allowable for income tax purposes. Accordingly, income taxes in future years will be greater than if the accelerated amortization had not been allowable.

The decreases in **Federal unemployment insurance** and **Federal retirement taxes** were due to reduced payrolls. The decreases would have been greater except for changes in the laws effecting an increase from $300 to $350 per month in the maximum amount of compensation per employe subject to the taxes beginning July 1, 1954.

Total taxes for 1954 were equivalent to 13.2 per cent of total operating revenues and to $1,278.26 per employe. Total taxes were also equivalent to $14.33 per share of common stock, or only 43 cents less than the Common Stockholders' equity ($14.76 per share) in net earnings.

MODERN POWER

The Union Pacific took a long stride forward in 1954 toward the complete modernization of its motive power. At a cost of about $53,000,000 the Company increased its ownership of diesel and gas-turbine locomotives by more than a third with the acquisition of 244 diesel units for freight service, 15 diesel units for passenger service, and 15 gas-turbine locomotives for freight service.

In 1934, the Company acquired the first diesel locomotive ever constructed for transcontinental passenger service and has used diesel locomotives for its transcontinental streamliner trains since that time. Its first diesels for freight service, however, were not purchased until 1947 because the steam fleet was comparatively modern and had considerable remaining efficient service life, and because there is an abundant supply of coal adjacent to Union Pacific lines in Wyoming, belonging to the Union Pacific Coal Company, a wholly owned subsidiary.

In more recent years, with the increase in use of diesels by railroads generally, it has become increasingly difficult to obtain steam locomotive repair parts except at excessive prices, resulting in relatively higher maintenance costs for steam locomotives as compared with diesels. The Company has also been faced with the steadily mounting cost of coal. Furthermore, an expanding volume of traffic and faster train schedules justified a major capital investment in acquiring the most up-to-date power available.

Most of the new units were delivered before July 1st, and all had been placed in service by the end of October. With the acquisition of this additional modern power, practically complete "dieselization" has been attained in the territory west of Green River, Wyoming, and sufficient additional power has been provided to handle all through traffic east of that point, except in periods of peak traffic.

The anticipated benefits from use of the new power during 1954 were reflected in improved efficiency in handling the traffic and in economies realized in both maintenance and transportation expenses. A graphic illustration of the extent of the increase in proportion of operations handled by diesel and gas-turbine locomotives in 1954 is indicated in the following five-year tabulation:

	Percentage of total freight gross ton-miles	Percentage of total passenger train-miles	Percentage of yard switching hours
1954	79.6	73.3	92.4
1953	43.5	62.3	84.4
1952	34.5	55.3	77.3
1951	32.0	47.2	74.5
1950	32.5	46.5	69.0

Such percentages will be even greater in 1955, because the new locomotives will be in service throughout the entire year. Moreover, thirty diesel passenger units and twenty diesel switching locomotives have already been ordered for delivery in 1955.

While substantially increasing the diesel fleet, the Company at the same time continues to develop gas-turbine locomotives, its ownership of this type of power having been increased to 25 by addition of the 15 units in 1954. These locomotives have proved particularly adaptable to heavy duty freight service in mountainous territory and have been used principally between Cheyenne, Wyoming, and Ogden, Utah. They possess certain inherent advantages over diesels, such as (a) the concentration on one chassis of horsepower equivalent to that of three diesel units, which produces economy in hostling, cleaning, etc.; (b) fewer moving parts; (c) use of low cost Bunker "C" oil for fuel; and (d) lower cost for lubricating oil.

* Leased Lines are: Oregon Short Line R.R. Co., Oregon-Washington R.R. & Navigation Co., Los Angeles & Salt Lake R.R. Co., and The St. Joseph and Grand Island Ry. Co. Figures in the Income Account and other tables are stated on a consolidated basis, excluding offsetting accounts between companies.

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A Positive Investment Program for 1955-1956

(4) Canadian companies which are in the van in that country's outstanding industrial record—

	Recent Price	Dividend	% Yield	Net per Share 1954
Aluminium, Ltd.	$90	$2.20	2.4	$3.87
Canadian Pacific	32	1.50	4.7	1.94
Imperial Oil	36	0.90	2.5	1.66
International Nickel	64	3.10*	4.8	4.35

(5) Motor and accessory stocks which will enjoy record-breaking earnings and prospects of liberal extra dividends—

	Recent Price	Dividend	% Yield	Net per Share 1954
Borg-Warner	$47	$2.00	4.3	$3.27
General Motors	97	5.00*	5.2	9.08

(6) Transcontinental rails, which in addition to their prospects for excellent earnings are not significantly reflected in the present market prices—

	Recent Price	Dividend	% Yield	Net per Share 1954
Atchison, Topeka & Santa Fe	$143	$7.00*	4.9	$12.35
Northern Pacific	75	3.00	4.0	5.79
Southern Pacific	60	3.00	5.0	5.38
Union Pacific	170	7.00*	4.1	14.76

The Korean expansions have provided the leading companies in the following industries important depreciation advantages, which give them "cash flows" well in excess of their reported earnings—

(1) The steel industry, which will have a record year and will be amortizing a $6.3 billion postwar expansion program—

	Recent Price	Dividend	% Yield	Net per Share 1954
Allegheny Ludlum	$48	$2.00	4.2	$2.30
Armco	39	1.80	4.6	3.91
Republic	84	5.00	6.0	7.10
U. S. Steel	86	4.00	4.7	6.45

(2) The chemical leaders which can be expected to use their new facilities to capacity in 1955, and whose reported earning powers will not reflect their important cash flows—

	Recent Price	Dividend	% Yield	Net per Share 1954
Dow Chemical	$50	$1.00	2.0	$1.42***
duPont de Nemours	189	5.50*	2.9	7.34
Union Carbide & Carbon	90	2.50*	2.8	3.10

(3) The airlines whose efficient, new fleets are now cutting operating costs and whose record earnings do not reflect the important depreciation charges that should liquidate most of their present heavy indebtedness by the end of 1956—

	Recent Price	Dividend	% Yield	Net per Share 1954
American Airlines	$27	$0.80	3.0	$1.51
Eastern Air Lines	46	1.00	2.2	2.88
United Air Lines	42	1.50*	3.6	3.52

The most important areas which are bound to attract investment funds wishing to participate in the probable technological advances of the future include—

(1) The field of atomic power, which divides between—

(A) The investment grade companies engaged in mining and refining uranium, which include Anaconda, Climax Molybdenum, Homestake Mining, Atchison, Topeka & Santa Fe, Union Carbide & Carbon, and Vanadium; and

(B) The companies which may be expected to develop profits out of the industrial and military application of atomic power—

(a) Those that may be expected to participate in the industrial development include American Machine & Foundry, Babcock & Wilcox, General Electric, North American Aviation, Westinghouse Electric, and two major chemicals—du Pont, and Union Carbide; and

(b) Those that can be expected to participate in the military developments of atomic power include General Dynamics, North American Aviation, Newport News Shipbuilding, and United Aircraft;

(2) The fascinating field of automation through electronic systems, which will control entire operations in both the clerical and production lines. The leading companies which can be expected to participate are: American Telephone & Telegraph, Bendix, IBM, International Telephone & Telegraph, Minneapolis-Honeywell, Minnesota Mining & Manufacturing, North American Aviation, Philco, Radio Corporation, and the new Sperry-Remington Rand merger;

(3) The development of alloy metals which will withstand the heat generated by the faster jet planes, guided missiles, and power plants, with double the present-day efficiency. These companies include: Allegheny Ludlum, Aluminum Co. of America, Crane, du Pont, International Nickel, National Lead, and Union Carbide;

(4) the aluminum industry, which is by far the fastest-growing among industrial metals today—

	Recent Price	Dividend	% Yield	Net per Share 1954
Aluminum Co. of America	$56	$1.00	1.8	$2.19
Aluminium, Ltd.	90	2.20	2.4	3.87
Kaiser Aluminum; and	78	2.25	2.9	5.75***

(5) The established companies operating in the fast-growing Pacific Coast area where the prospects for future progress are so extraordinarily favorable. Because of limited space, we cannot include any of the Pacific Coast leaders already appearing among other listings, or a great many other companies which are making notable contributions to the growth of the West. The following is a partial list of excellent equities—

	Recent Price	Dividend	% Yield	Net per Share 1954
Bullock's, Inc.	$39	$2.00	5.1	$3.68‡
California Packing	37	1.50	4.1	3.47‡
California Water Service	42	2.20	5.2	2.62
Consolidated Chemical	145	5.00*	3.4	14.83
Emporium Capwell	69	3.00*	4.3	6.75‡
Kern County Land	53	2.25*	4.2	2.99
Pacific Gas & Electric	48	2.20	4.6	2.89
San Jose Water	42	2.00	4.8	2.86
Western Pacific	65	3.00	4.6	4.24

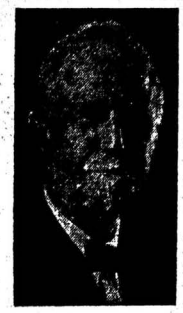
*Includes cash extra. ‡Earnings for fiscal year ended thus far in 1955. †Plus stock. **Estimated for fiscal year ending April 30, 1955. ***Estimated for fiscal year ending May 31, 1955.

Planning for Tomorrow

By ROGER W. BABSON

Mr. Babson warns that many workers are getting too heavily into debt, and increased unemployment may cause their families to suffer. Contends major cycles of prosperity and depresson will always be with us, and holds this period of prosperity is the time to build a program for future employment. Points out present wage-earners debts may prevent future strikes.

If you should lose your job tomorrow, how much of a financial hardship would you and your family suffer? Are you up to your neck in installment payments? Have you borrowed too heavily on your insurance? What if serious illness should strike your family?



Roger W. Babson

A 30-year-old worker of a small New England machine-tool producer was laid off the other day. He had been making $96 a week. That is $416 a month before taxes. He has fixed monthly installment commitments: $68 (interest and mortgage) on his new house; $61.25 on a 1953 automobile; $13 on a set of encyclopedias; $18.75 on a TV; $32 on a trip to Bermuda for his wife; $19.90 on a food-freezer, that I know about. In addition, he has several hundred dollars outstanding with department stores. He owes a winter fuel bill of $135. He is behind in his telephone and light payments. The local grocer, dry cleaner, milkman, and other merchants whom he owes have put him on a cash basis. He has borrowed $250 on an insurance policy, and now finds he cannot pay the quarterly premium due.

Perhaps this young man is an exception and not typical of most young workers. But I believe he is more typical than many of us want to believe. He could get along, and might even work himself out of his financial difficulties, if he could keep fully employed and not get involved in strikes. But he has seriously overextended himself. What if he could not quickly get back to work?

Wageworkers' Debts May Prevent Strikes

This man is a product of our postwar wave of prosperity. In a way I cannot blame him. He has been encouraged — yes, even bullied—by radio, magazine, and TV salesmen, to overload. This young man had more money to spend than ever before. What has happened to him might happen to you. Here is why:

Right after the war, in 1946, people were spending only about 45% of their incomes for life's necessities, leaving about 55% for whatever took their fancy. Since 1946, fixed charges such as rent, food, and installment commitments have been taking a larger share of the income. Last year, 53% of the average consumer's income was spent for fixed charges, leaving 47% for discretionary buying—8% less than in 1946. As long as business booms, there is little need to worry. But should strikes this summer, or overproduction or layoffs, catch up with us, the heavy load of fixed charges which many consumers are carrying could be serious. When labor leaders realize this situation, they may not call strikes this summer.

Savings Accounts Good Insurance

I am concerned about this because I know that major cycles of prosperity and depression will always be with us as a result of the unforeseeable and inevitable vagaries of human judgment. I am concerned about the present degree of installment buying. For example, on Feb. 28 total consumer credit outstanding was $29.5 billion—the highest February on record, and almost $1.5 billion higher than in February, 1954. Most people are unable to spend their money wisely; many undervalue it and spend it carelessly. In times of prosperity, just as a matter of good financial common sense, one ought to take advantage of the times and increase financial reserves. Savings accounts should be built up, careful investments made.

This period of prosperity is by all means the time to build protection for future unemployment. Certainly in a period of great prosperity one ought not to go into needless debt. I will be the first to admit that money in the bank is not doing much good, except as insurance; but this kind of insurance is as important as any other. Pride of ownership in a house, the satisfaction of a new car, the comfort of air conditioning, the joy of TV—all of these things bring satisfaction and contentment. But what will happen to that contentment if tomorrow the pawnbroker moves in? It takes intelligence, courage, and will power to plan for tomorrow as well as to spend for today; but every reader — whether landlord, employer, or wageworker—should now plan for tomorrow.

With Brown Brothers Harriman & Company

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William J. Montgomery is with Brown Bros., Harriman & Co., 10 Post Office Square.

Joins du Pont Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Saul L. Landey has become connected with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. Landey was formerly with J. H. Goddard & Co., Inc.

First Boston Group Offers McLouth Steel Com. Stock at 37½

The First Boston Corp. and associates yesterday (May 11) publicly offered 155,324 shares of common stock of McLouth Steel Corp. at $37.50 per share. The shares are being sold for the account of two stockholders, the estate of the late Donald B. McLouth, company founder, and his widow. None of the proceeds will accrue to the company.

McLouth Steel, organized in 1934, is the second largest independent producer of hot and cold rolled flat carbon steel and the only producer of stainless sheet and strip in the Detroit area, with a capacity to produce 1,460,000 net tons of carbon steel ingots annually. Plants are located in Detroit, Trenton and Gibraltar, Mich., and serve chiefly the automotive industry.

Under a 22-month expansion program just completed at a cost of approximately $100,000,000, the company has substantially increased the steel-making capacity of its Trenton plant principally through the installation of new oxygen process production equipment. McLouth is the first company in the United States to use this process which requires a modest capital investment relative to its capacity and which produces a high quality steel for deep drawing products at costs which are expected to be as low or lower than conventional methods.

Sales of the company for the quarter ended March 31, 1955, totaled $28,579,000 compared with $15,320,000 for the comparable period of 1954. Net income for the respective periods amounted to $893,000 and $463,000. In the 1955 period, dividends of $354,000 were paid on the Company's preferred stock issued on July 1, 1954, principally to General Motors Corporation.

Transamerica Stock On Market at $40.50

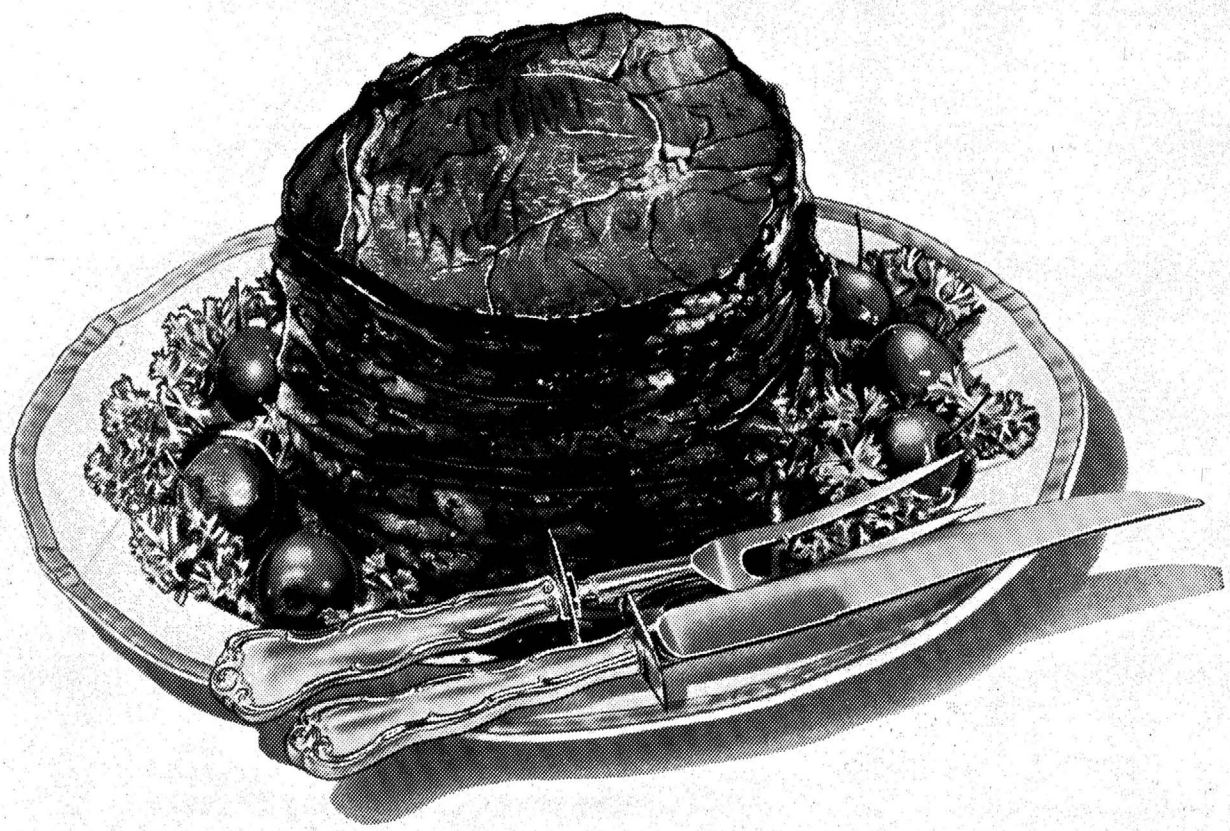
An investment banking group of 276 members managed jointly by Blyth & Co., Inc., and Dean Witter & Co. made public offering on May 10 of 1,346,800 shares of capital stock of Transamerica Corp. at $40.50 per share.

Net proceeds will be added to the general funds of Transamerica and will be used to repay short-term bank loans of $7,500,000 from an unaffiliated bank, to replenish working capital and provide funds for additional investments in Transamerica's banking and other subsidiaries. The management also intends, if favorable opportunity offers, to acquire new banking and other subsidiaries.

Dividends have been paid regularly on Transamerica's capital stock since its organization, except for the period September, 1931 through 1933, during which no dividends were paid. Beginning with the calendar year 1955, the board of directors has adopted a policy of paying dividends quarterly. A quarterly dividend of 35 cents per share was paid on Jan. 31 and April 26 of this year.

Transamerica Corp. is primarily a holding company. Principal subsidiaries are: six banks; a legal reserve life insurance company; six fire and casualty insurance companies which, as a group, conduct a multiple line insurance business; two industrial companies engaged respectively in manufacturing forgings, castings and other metal products and in packing seafood products; a real estate development company and a finance company. Transamerica also has a substantial investment in securities of various other companies, and a subsidiary which conducts a banking business in Italy.

FOUND...



how to make every roast perfect!

For domestic drama at its most dramatic, few scenes can rival an important dinner party when the husband carves into a well-browned roast—and finds it practically raw.

It can happen in any household . . . or it could until January 10, 1955.

On that date Philco announced the Philco Electric *Roastmeter* Range—the first range in history that makes it possible for *any* woman to cook a perfect roast *every time!*

If you have only contemplated roast meat from the end of a fork, the extent of this miracle in the kitchen may not be at once apparent. You may not realize, for example, that even experienced cooks can never be *sure* with a roast.

There are too many variables—size of the roast, its shape, density, and bone or fat content, to name a few. No cook or cookbook can juggle all these factors.

Nor can you tell when the roast is done by looking at it in the oven, because meat cooks from the outside in. The only accurate index is its internal temperature.

A frustrating picture, even for Philco engineers who tackled the problem.

What they wanted was clear enough—*a system that would measure accurately the inside temperature of a roast and transmit the information up to a dial on the control panel where it could be seen without opening the oven door.*

It had to be electrical, yet safe for use with wet hands . . . the sensing device going into the roast could contain no mercury, yet must be accurate and consistent . . . and the needle on the dial had to register heat, yet not be moved by kitchen temperatures.

Thus was born the Philco Roastmeter Range, and a new era in cooking.

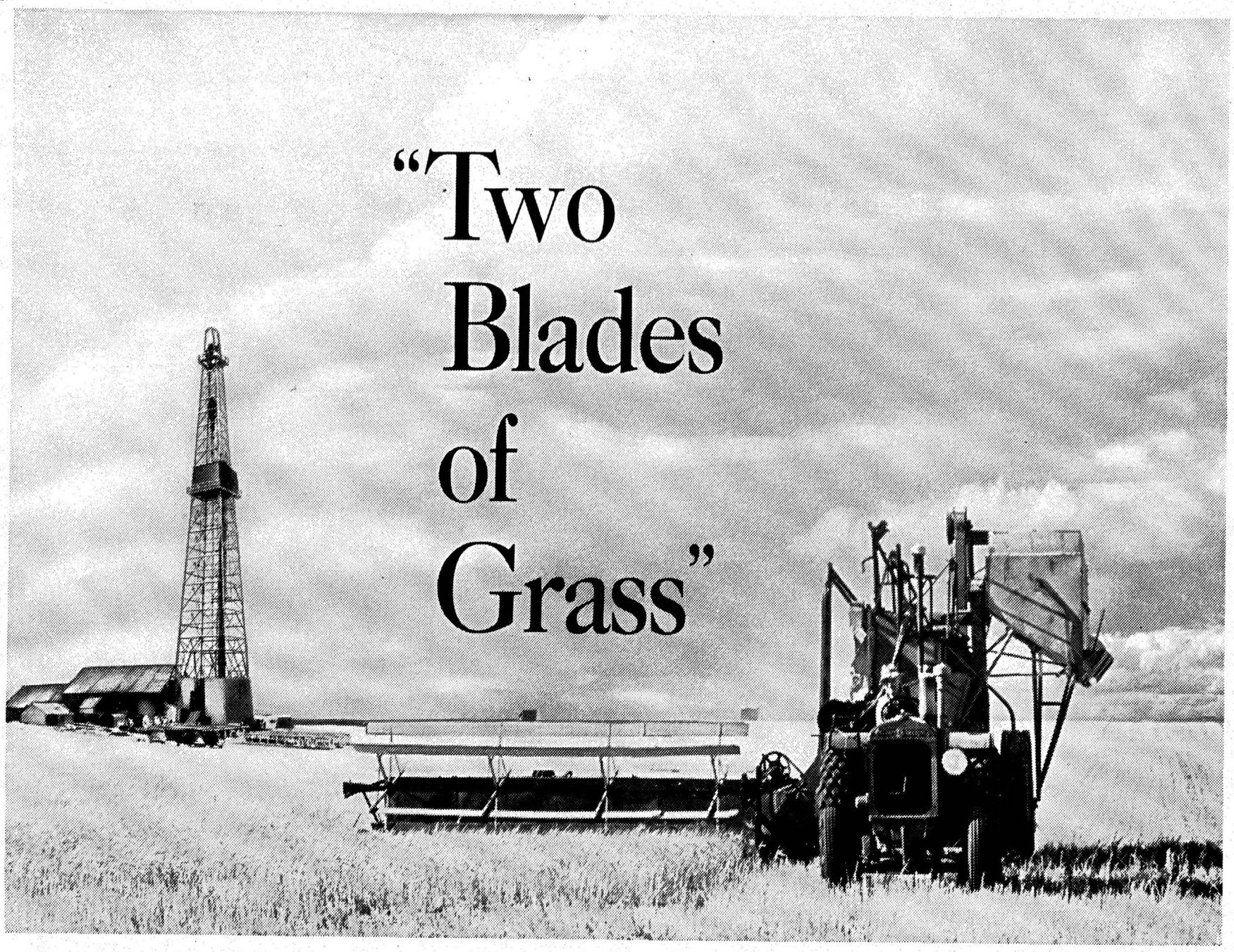
Now you see the roast cook *on the control panel.* It's never underdone when you want it Rare, or overdone when you want it Medium. Every roast is perfect, every time.

In its fundamental contribution to an important business, this development typifies the integration of Research with Application that makes Philco a leader in so many industries—Television . . . Radio . . . Refrigeration . . . Freezers . . . Electric Ranges . . . and Air Conditioning.

And the end is not in sight!

PHILCO QUALITY

ANOTHER FIRST FROM PHILCO RESEARCH



TWO CENTURIES ago Voltaire said, "He who makes two blades of grass grow in place of one renders a service to the State." The job of Standard Oil Company (New Jersey) and its affiliates is something like that—to produce oil where none was produced before and, by so doing, to create wealth for everybody.

How well have we been doing this job? Our Annual Report for 1954, which has just been sent to the 300,000 shareholders who own Jersey Standard, tells about it.

It tells how wealth was created by extending known oil fields . . . And by discovery of new ones . . . By converting crude oil, itself of little value, into hundreds of useful products . . . By moving petroleum products from where they were made to where they were needed.

All these things helped the people and strengthened the nations where we do business.

Some highlights of these activities, drawn from the Annual Report, are set forth here as a matter of public information.

1. During 1954, the free world used more oil than ever before. And oil is energy, which is basic to the world's progress.

2. To meet these needs, our affiliates produced and refined more oil than ever before in the Company's history. But additions to oil reserves were greater than the oil used.

3. We had vigorous competition everywhere. There is nothing like competition to bring you better products and service.

4. 1954 was our top year in sales, earnings, and dividends paid to owners.

5. During the year, we spent 764 million dollars for new equipment and for exploration. Since World War II, we have spent 5 billion dollars for the means to meet your future oil needs.

6. Research was productive. Our research affiliate obtained more patents on products and processes than any other oil company. In Linden, N. J., the first atomic laboratory in the oil industry is being built to study the uses of radiation in oil refining.

7. Current developments in atomic energy will mean greater availability of electric power: increased mechanization, expanded industry, and greater use of petroleum products. The oil business will gain, and you will have the benefits of both kinds of energy.

8. We played an important part in arranging to return Iran's oil to world markets.

9. A world's safety record for major refineries was set by Esso employees at Baton Rouge, La. . . . 7,911,769 man-hours with no disabling injury. This passed the previous record by more than a million man-hours.

10. We have long supported education through our taxes. We have also felt an obligation to aid privately supported colleges and universities, which are an important source of new employees and of informed citizens. During 1954, we contributed about a million dollars to such institutions.

If you wish a copy of the full Report for 1954, write to Standard Oil Company (New Jersey), Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY)
AND AFFILIATED COMPANIES

Esso

EXECUTIVE COMMITTEE

CHAIRMAN

Edward Rotan
Rotan, Mosle & Co., Houston

VICE-CHAIRMAN

W. Wallace Payne
First of Texas Corporation, San Antonio

VICE-CHAIRMAN

Lockett Shelton
Republic National Bank of Dallas

SECRETARY-TREASURER

James L. Bayless
Rauscher, Pierce & Co., Houston

EXECUTIVE SECRETARY

R. B. (Brud) Smith
Dallas

TWENTIETH ANNUAL MEETING

Texas Group

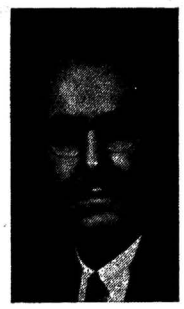
INVESTMENT BANKERS ASSOCIATION OF AMERICA

HOUSTON, TEXAS

APRIL 24-27, 1955

COMMITTEEMEN

R. R. Gilbert, Jr.
First National Bank in Dallas



W. Lewis Hart
Austin, Hart & Parvin San Antonio

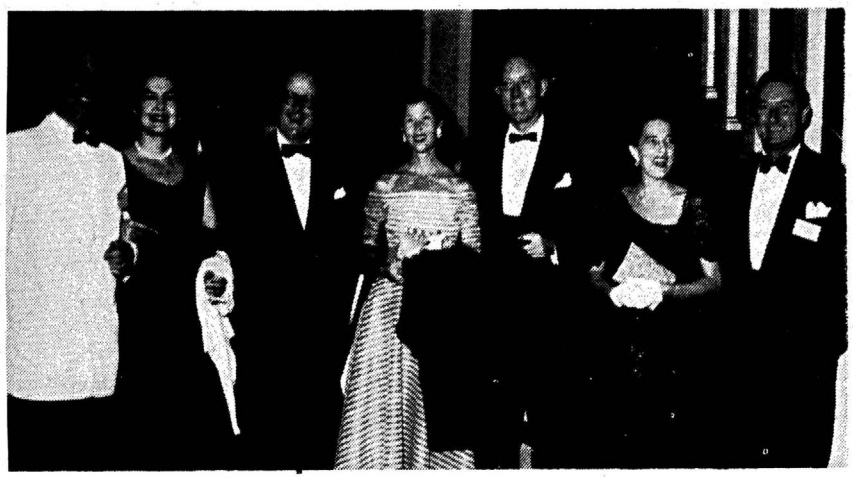
Wm. C. Jackson, Jr.
First Southwest Company, Dallas

Joseph R. Neuhaus
Underwood, Neuhaus & Co., Inc., Houston

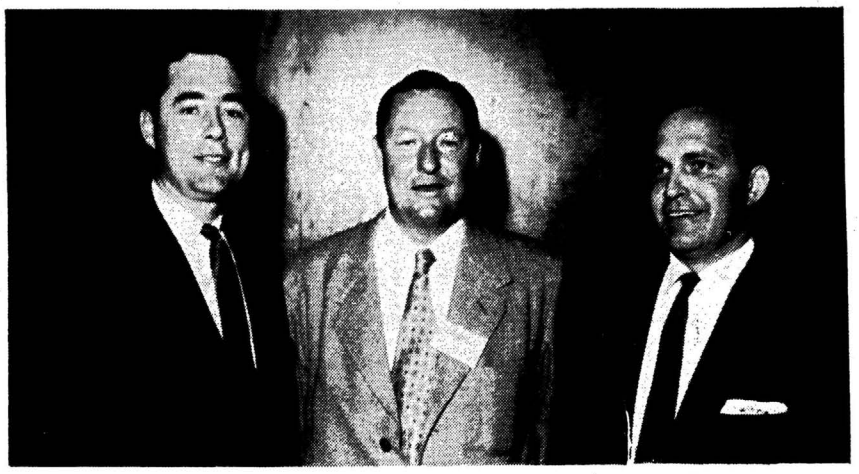
Louis W. Stayart
Hudson, Stayart & Co., Inc., Dallas

Mr. & Mrs. Edward Rotan, *Rotan, Mosle & Co.*, Houston (Mr. Rotan is Chairman Texas Group IBA)

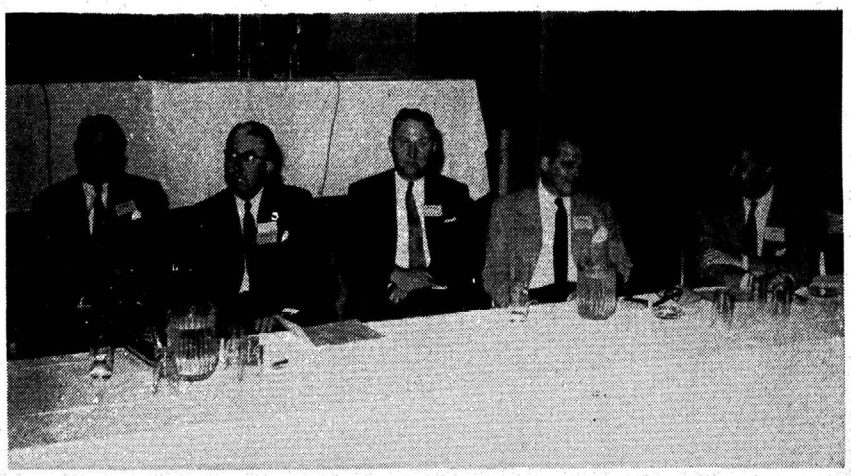
Mr. & Mrs. Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia (Mr. Schmidt is President of the *Investment Bankers Association of America*)



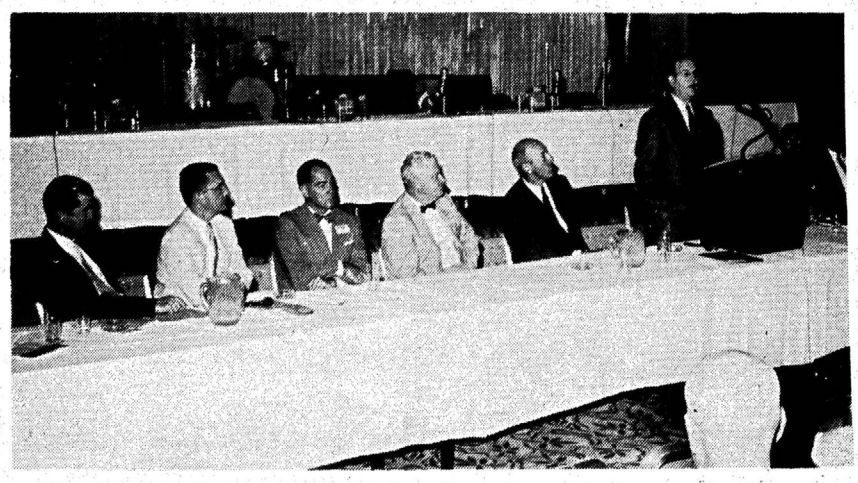
Hudson Lemkau, *Morgan Stanley & Co.*, New York; Mrs. Ed Rotan; Murray Hansen, *Investment Bankers Association of America*, Washington, D. C.; Mrs. B. H. Whitbeck; Ed Rotan, *Rotan, Mosle & Co.*, Houston; Mrs. Thomas Roth (guest); Brainerd H. Whitbeck, *First Boston Corp.*, New York City



Hon. Charles D. Kirkham, Jr., Member *Texas House of Representatives;* Charles C. Pierce, *Rauscher, Pierce & Co.*, Dallas; J. H. Wilson, *Securities Commissioner, State of Texas*, Austin, Tex.



Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke,* Philadelphia, President of Investment Bankers Association of America; W. Lewis Hart, *Austin, Hart & Parvin,* San Antonio; Lockett Shelton, *Republic National Bank,* Dallas; Wm. C. Jackson, Jr., *First Southwest Company,* Dallas; Joseph R. Neuhaus, *Underwood, Neuhaus & Co., Incorporated,* Houston



R. Brud Smith, Executive Secretary, Texas I. B. A. Group; James L. Bayless, *Rauscher, Pierce & Co.,* Houston; R. R. Gilbert, Jr., *First National Bank in Dallas;* W. Wallace Payne, *First of Texas Corporation,* San Antonio; Edward Rotan, *Rotan, Mosle & Co.,* Houston; Henry W. Rigsby, *Champion Paper & Fibre Co.,* Hamilton, Ohio

Keith Reed, *Keith Reed & Company,* Dallas; Jack Munger, *Keith Reed & Company,* Dallas

Mr. & Mrs. W. Wallace Payne, *First of Texas Corporation,* San Antonio (Mr. Payne is Chairman-elect of the Texas Group of the IBA)

Mr. & Mrs. Henry L. Harris, *Goldman, Sachs & Co.*, New York City; George B. Wendt, *First National Bank*, Chicago; Mr. & Mrs. Clarence Hendricks, *Wm. N. Edwards & Co.*, Ft. Worth, Tex.; W. J. Corbett, Jr., *Burns, Corbett & Pickard, Inc.*, Chicago

Mrs. & Mr. Robert M. Johnson, *Rauscher, Pierce & Co.*, Houston; Miss Irene Rochelle; Ed Harding, *Rauscher, Pierce & Co.*, Houston; Mr. & Mrs. Joe E. George, *Rauscher, Pierce & Co.*, Houston; (standing) Mr. & Mrs. Keith McClendon, *Rauscher, Pierce & Co.*, Houston

Mr. & Mrs. J. F. Fogarty, Jr., *Zahner and Company*, Kansas City, Mo.; Mrs. A. C. Black, Dallas; Mr. & Mrs. John J. Fosdick, *Eddleman-Pollok Co.*, Houston; Mr. & Mrs. Philip Neuhaus, *Underwood, Neuhaus & Co., Incorporated*, Houston

Mr. & Mrs. W. Wallace Payne, *First of Texas Corporation*, San Antonio; Mr. & Mrs. Russell Siefert, *Stern Brothers & Co.*, Kansas City, Mo.; Mr. & Mrs. T. Fritz Stewart, *Southwestern Securities Company*, Dallas; Robert R. Gilbert, Jr., *First National Bank*, Dallas

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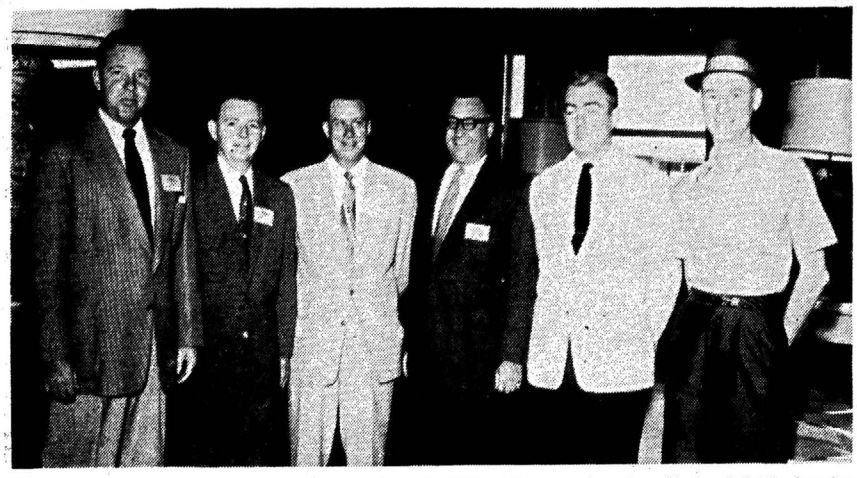
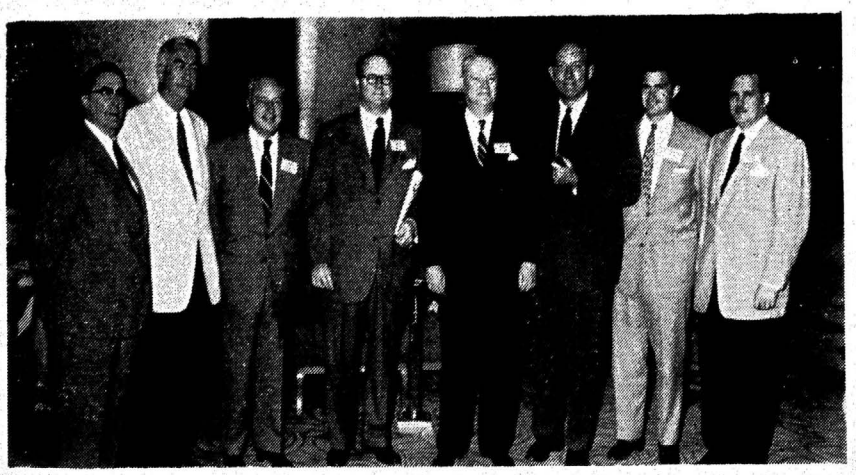
Fred J. Bolton, *Muir Investment Corp.*, San Antonio; Newell S. Knight, *Mercantile Trust Company*, St. Louis, Mo.; D. E. Walton, *Fort Worth National Bank*, Fort Worth, Texas; Franklin Houston, *Dallas Union Securities Company*, Dallas; Leslie L. Lentz, *Lentz, Newton & Co.*, San Antonio; John J. Fosdick, *Eddleman-Pollok & Co.*, Houston



Lewis F. Lyne, *Mercantile National Bank*, Dallas; C. Willard Houser, *American National Bank*, Austin; Thomas L. Kevin, *Glore, Forgan & Co.*, Chicago; David F. Anderson, *Muir Investment Corp.*, San Antonio; Alfred J. Stalker, *Kidder, Peabody & Co.*, New York City; Algie K. Choate, *C. N. Burt & Company*, Dallas



Wallace Fulton, *National Association of Securities Dealers*, Washington, D. C.; Harold E. Wood, *Harold E. Wood & Co.*, St. Paul, Minn.; Hal H. Dewar, *Dewar, Robertson & Pancoast*, San Antonio; Murray Hansen, *Investment Bankers Association*, Washington, D. C.; Walter A. Schmidt, *Schmidt, Poole, Roberts & Parke*, Philadelphia; Ed Rotan, *Rotan, Mosle & Co.*, Houston; Joseph Neuhaus, *Underwood, Neuhaus & Co., Incorporated*, Houston; W. C. Jackson, Jr., *First Southwest Co.*, Dallas

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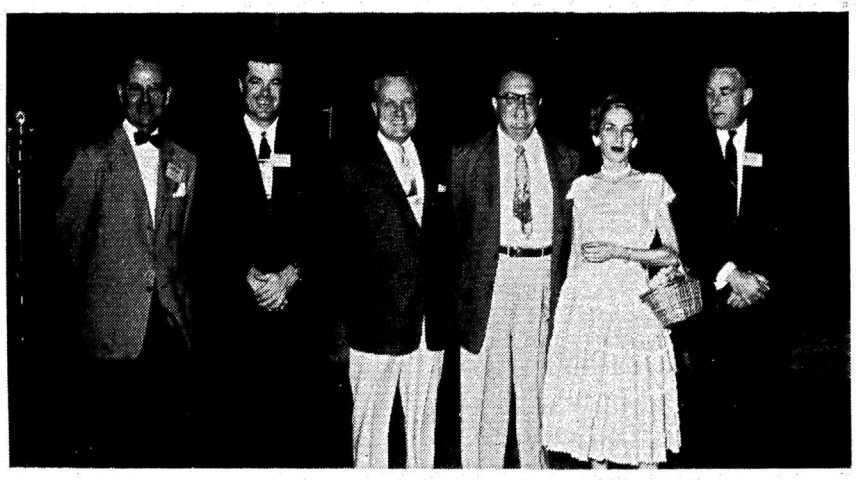

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(standing) Leon S. Lees, Jr., *Ira Haupt & Co.*, New York; John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.; Larry W. Morgan, *Incorporated Investors*, Chicago; Charles E. Kimbal., *Wellington Fund, Inc.*, Dallas; (seated) Milton Fox-Martin, *Wellington Fund, Inc.*, Philadelphia; Mrs. Edward D. Muir, San Antonio; Mrs. Leon S. Lees; Mrs. & Mr. John Brandenberger, *J. Marvin Moreland & Company*, Houston

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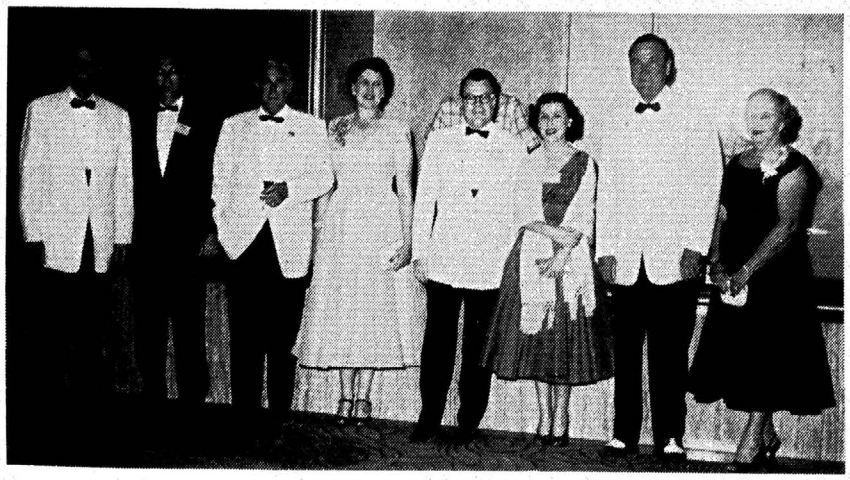
Francis I. Abshire, *Lovett Abercrombie & Co.,* Houston; Mr. & Mrs. Richard Bradley, *Equitable Securities Corporation,* Houston; Paul A. Just, *Television Shares Management Corporation,* Chicago; W. H. Cooley, *Television Shares Management Corporation,* Chicago; Fred D. Malsbury, *Muir Investment Corp.,* San Antonio



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W. T. Sikes, *Dewar, Robertson & Pancoast,* San Antonio; Eugenia Sapp, *Municipal Advisory Counsel of Texas,* Austin, Tex.; Mrs. B. B. Sapp, *Teachers Retirement Fund,* Austin, Tex.; Jack C. Payne, *Republic National Bank,* Dallas; Mrs. Jake T. Martin, Dallas

Mr. & Mrs. Joseph C. Graff, *Salomon Bros. & Hutzler,* Dallas; Mr. & Mrs. D. E. Walton, *Fort Worth National Bank,* Fort Worth; Mr. & Mrs. M. M. Hatcher, *First National Bank,* Dallas; Mr. & Mrs. Lockett Shelton, *Republic National Bank,* Dallas

Mr. & Mrs. Wm. J. Shawell, *Shawell & Company,* Houston; Mr. & Mrs. Claude T. Crockett, *Crockett & Co.,* Houston

Mr. & Mrs. Eli R. Cunningham, Shreveport, La.; A. M. Leary, *Barrow, Leary & Co.*, Shreveport, La.

Mr. & Mrs. Francis Abshire, *Lovett Abercrombie & Co.*, Houston; Mr. & Mrs. R. E. Whitlock, *James C. Tucker & Co.*, Austin; C. Willard Houser, *American National Bank*, Austin; Mrs. R. G. Stotler, *Houston*

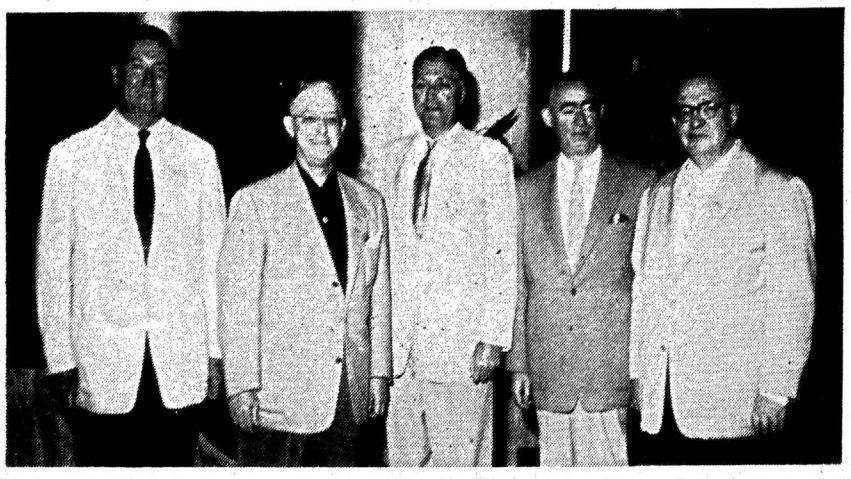
Mr. & Mrs. A. C. Black, *Henry-Seay & Co.*, Dallas; Mr. & Mrs. Clarence E. Sample, *Mercantile National Bank*, Dallas; G. Shelby Friedrichs, *Howard, Weil, Labouisse, Friedrichs & Company*, New Orleans; Roland Merrell, *Lee Higginson Corporation*, New York City

Mrs. B. V. Christie; Mrs. A. Gordon Crockett; B. V. Christie, *B. V. Christie & Co.*, Houston; Mrs. J. H. Wilson; Mrs. Claude Crockett; Claude T. Crockett, *Crockett & Co.*, Houston; (in background) George Dedrick, *Joseph McManus & Co.*, New York; J. H. Wilson, *Texas Securities Commissioner*, Austin, Tex.; A. Gordon Crockett, *Crockett & Co.*, Houston; Estelle Millar, *B. V. Christie & Co.*, Houston

Mr. & Mrs. W. J. Shawell, *Shawell & Company*, Houston; George M. McCleary, *McCleary & Co., Inc.*, St. Petersburg, Fla; Mrs. Landon A. Freear; W. C. Lyklema, *A. C. Allyn & Co.*, Chicago; Landon A. Freear, *William N. Edwards & Co.*, Ft. Worth, Tex.

Robert M. Gardiner, *Reynolds & Co.*, New York City; John H. Rauscher, Jr., *Rauscher, Pierce & Co.*, Dallas; James L. Bayless, *Rauscher, Pierce & Co.*, Houston; Avery Rockefeller, *Dominick & Dominick*, New York; Mrs. James L. Bayless; John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.; Mrs. John H. Rauscher, Jr.

Mr. & Mrs. Hal H. Dewar, *Dewar, Robertson & Pancoast*, San Antonio; Charles Devens, *The Parker Corporation*, Boston; Mrs. Leslie Lentz, San Antonio; Mr. & Mrs. Robert Moroney, *Moroney, Beissner & Co.*, Houston; Wallace Fulton, *National Association of Securities Dealers*, Washington, D. C.



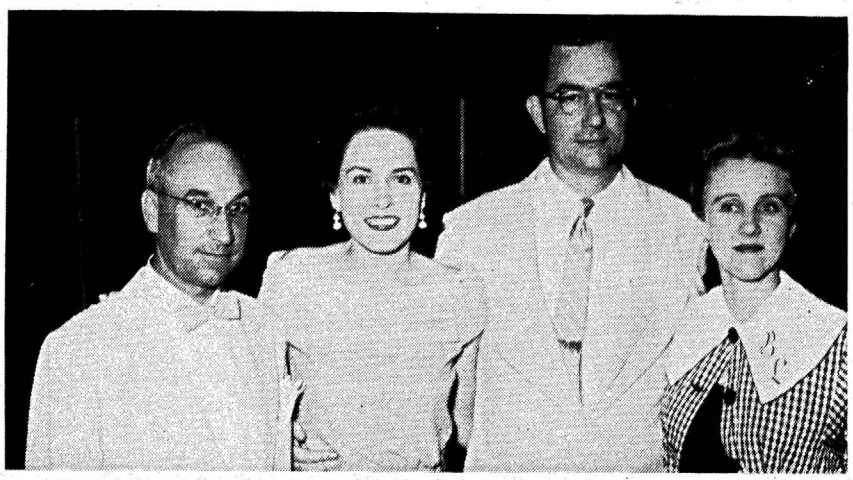
Brainerd H. Whitbeck, *First Boston Corporation*, New York City; K. S. Johnson, *Indianapolis Bond & Share Corporation*, Indianapolis; W. M. Merritt, *First Boston Corporation*, New York City; Edwin J. Markham, *Wertheim & Co.*, New York City; Patrick J. Cummings, *Bear, Stearns & Co.*, Chicago

Mr. & Mrs. Robert Brinker, *John Nuveen & Co.*, Chicago; Mr. & Mrs. W. Lewis Hart, *Austin, Hart & Parvin*, San Antonio; Mr. & Mrs. William J. Sloan, *Texas Fund, Inc.*, Houston, Tex.

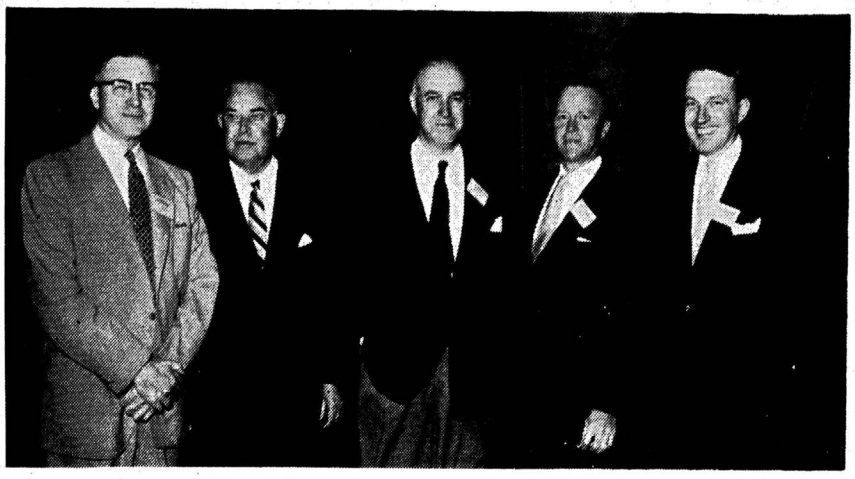
Mr. & Mrs. Jack Geneser, *Texas Fund, Inc.*, Houston; Mr. & Mrs. Edward V. Vallely, *John Nuveen & Co.*, Chicago; Mr. & Mrs. Jack Coles, *Texas Fund, Inc.*, Houston

Roy G. Tucker, *R. A. Underwood & Co., Inc.*, Dallas; Mrs. John Brandenberger, Houston; J. Ries Bambenek, *Dallas Union Securities Company*, Dallas; Mrs. John W. Turner, Dallas; F. Vincent Reilly, *Commercial & Financial Chronicle*, New York; Dean P. Guerin, *Eppler, Guerin & Turner*, Dallas; Mrs. Edward Muir; David Anderson, *Muir Investment Corp.*, San Antonio; Edward D. Muir, *Muir Investment Corp.*, San Antonio

Mr. & Mrs. John M. Hamilton, *C. N. Burt & Company*, Dallas; Mr. & Mrs. Paul Horton, *McCall, Parkhurst & Crowe*, Dallas; Algie K. Choate, *C. N. Burt & Company*, Dallas; Mr. & Mrs. Ed Franklin, *Dittmar & Company*, Dallas



E. B. Laughlin, *Harry Downs & Co.*, New York City; Mrs. John H. Rauscher, Jr., Dallas; Mr. & Mrs. James L. Bayless, *Rauscher, Pierce & Co.*, Dallas



Oscar M. Bergman, *Allison-Williams Company*, Minneapolis; H. Frank Burkholder, *Equitable Securities Corporation*, Nashville; Paul Frederick, *Baxter, Williams & Co.*, New York; Russell R. Rowles, *Rowles, Winston & Co.*, Houston; Thomas B. Walker, Jr., *Equitable Securities Corporation*, Dallas

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As We See It

sense would deny that such a state of affairs is to be deeply regretted.

Yet we venture the opinion that there are matters far more important to the nation as a whole than the problem of holding mutually repellent elements together in one political party. This, we hold to be true, regardless of whether that party is Democratic or Republican—or any other, for that matter. It may well be better to have two major parties of this type than to suffer from innumerable and stubborn splinter parties as some of our contemporaries do, but certainly it leaves a great deal to be desired. It is difficult for us to believe that—political ties and political prejudice aside—the American people could not be rallied and held in two major parties whose tenets are both real and meaningful.

Far From It Now

It may be doubted whether the rank and file realize how far we are from such a situation today. The fact is that at the present time both of the major parties are so engrossed with "making a record" for next year that it is all but impossible to tell what either party really stands for and is willing to fight for—if anything. Of course, there are those leaders who never tire of proclaiming themselves "liberals" and insist that their party must always be found under the liberal banner. The term "liberal" has come to be a word to conjure with, and not many politicians dare not to bow down before this image, however ridiculous they may appear in doing so or however strange the meaning they assign to the term.

But what does the word really mean? Since practically everybody claims this distinction it can obviously not mean very much. If the word is permitted the meaning universally assigned to it when the great liberal, Adam Smith, was laying down the general principles on which this country was founded and upon which it grew to greatness, then the real liberals of this day and time are ordinarily not among those who proclaim themselves such. The fact is that one now holding the beliefs then regarded as the epitome of liberalism would be and is today labeled an extreme reactionary. Such vague general terms as "liberal" and "conservative" as employed today therefore have little or no real meaning.

But there must be large numbers of good, hard-headed, patriotic Americans who are fully convinced of the need for sanity in the handling of public finances, who believe that no good can in the end come of wild extravagance financed with borrowed money and often indeed with something very nearly approaching fiat money. There must be millions who doubt lasting economic gain can be had by amassing more and ever more debt, or by artificial stimulation of outlays for goods the real and effective demand for which is in serious doubt. We are quite certain that many citizens of this country have little faith in either the equity or the practical wisdom of repeatedly soaking the rich to provide hand-outs for the many with votes.

We can scarcely doubt that a great many in this country fail to see economic blessing in the vastly extended interference by government with business. Are there none left who are sure that no economic millennium can be reached by tinkering with money and credit? Is it possible that a vast majority of the people of this country think that the farm policies of the past two or three decades are either truly American or in the interest of either the farmers or the rest of us in the long run? How many of us really believe it wise to keep the securities business of the country in shackles? These seem to us to be a few of the really important issues around which political parties ought to be organized.

Special Interests

We are fully aware, of course, that there are substantial numbers of citizens who have a special interest in these issues—that is, who are specially favored by them at the expense of the remainder of the people. The farmer gets his in various places other than the market place. Many recipients of subsidies or largesse in one form or another find themselves for the time being at least enriched by this, that and the other scheme often concocted by the politicians especially to please these elements in the population. It may take somewhat more than the usual or garden variety of understanding and courage to be willing to pass up such favors—or rather to insist upon their being passed up—in the knowledge or belief that in the long run the country, and hence the individual citizen, will be better off by complete abolition of all such quackery no matter what the immediate consequences seem to be.

But we can not rid ourselves of the faith that with the proper leadership enough of the people of this country could be brought to such a state of intelligent citizenship that constructive action in these matters could be made effective. The trouble in recent years is that all, or very nearly all, the leadership has been in the other direction. The deep and really terrible years of depression during the 'Thirties seem somehow to have made willing victims of many people who at other times would have spurned the paternalism and the quackery of the New Deal and the Fair Deal.

We make no pretense to political wisdom or insight, but we should much like to see the development of a party, whether one of the old ones or some other, devoted to sanity and constructiveness in this country, unified, but unified behind sound tenets.

R. F. Campeau Opens

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Rene F. Campeau is engaging in a securities business from offices at Penobscot Building under the firm name of R. F. Campeau Company. Mr. Campeau was previously with B. C. Morton & Co.

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Trends in the Market

the money supply in the market place. Should their concern increase, this pressure will grow greater, and will be registered in lower bond prices. Should their concern ease, this pressure can be expected to be relaxed, and bond prices, as a result, move higher. Should their concern change its direction, and center upon heading off a recession rather than a boom, a further recourse to actively easy money would seem to be indicated, and this would, of course, serve to boost bond prices. As of this moment it appears to me that the economic odds favor a continuation of slight pressure in the money market, and therefore, a continuing lid on bond prices in the months immediately ahead.

So much for the short-term aspect of this matter. Over the long term there are certain forces at work which may alter the present ladder of rates leaeding from the least yield on shortest maturities, to the most yield on longest maturities. That interest rate structure is a relatively recent development in our economic history, one born of war and depression, and the fiscal efforts to cope with recurring crises. Back in 1910 when our firm was founded, short-term rates were very flexible and what would now be regarded as wide swings in yields over limited periods of time, were accepted as normal. If the world achieves an enduring peace, it is possible that the present curve between long- and short-term yields may flatten out. However, no matter how fascinating a topic the long-term trend of the bond market may be to the economists such conjecture has little practical value for the pension fund investment officer. After all, your primary concern is the job of putting your funds to work at the best possible return commensurate with safety, when that money comes in. And ours, as institutional securities dealers, is to provide you with the biggest possible markets at the narrowest possible spreads which market conditions permit.

Pension Fund Investment Trading

As you know, the pension fund investment officer has certain distinct portfolio advantages. For one thing, liquidity is not a problem. Because a steady in-flow of money is typical of pension funds, liquidity is always there when needed. Therefore, the investment officer need pay little attention to the short-term market. For another, portfolio patterns are flexible. The steady inflow of flunds permits easy rearrangement of portfolio patterns regardless of market conditions. New ratios can be achieved merely by directing new money into the desired channels. And lastly, if investment quality is maintained and portfolio yields equal actuarial requirements, pension fund managers need pay little attention to the relation between market value and book value.

At this point, I should like to interject a comment on trading. As I see it, there are two sound bases for trading by a pension fund. One is to make a switch out of one security into another for the purpose of up-grading your investment. The other is to take advantage of a favorable market by selling out holdings, originally long-term but which now, because of the passage of time, are due to mature in the next few years, and reinvesting the proceeds in long-term maturities. Such up-grading and refunding operations seem to me to be the only legitimate reasons for pension fund trading. Trading solely for the purpose of taking profits is not the function of the pension fund investment officer, and might even result, in the end, in having the fund whipsawed by unexpected swings in the market.

This brings up another question: Should the investment officer stay on the sidelines because he has a hunch the bond market is about to take a dip? I think anyone who takes that course is deliberately inviting ulcers. If you can get sufficient yield to meet your actuarial requirements—take it, stay younger, live longer. Don't try to outwit the market!

Now, let's try and find out what is currently attractive in the bond field. First, we'll take up the U. S. Governments. As we all know, U. S. obligations represent the highest credit category available. The only fault anybody can find with them is the yield—a lot of people wish it were more!

United States securities range in maturity from a few days to 40 years. They range in yield from what may be a fractional percentage on the shortest, the bills, to virtually 3% on the longest the new 3s. These 3s serve to illustrate one definite market advantage long Treasuries have for pension funds — their freedom from involuntary redemption. These bonds can't be redeemed until 1995. This freedom from early call is a characteristic feature of all the long-term government bonds, the issues of primary interest to you.

For occasional special purposes, of course, the shorter maturities could be used to meet an unusual need. In what might be called traditional type public pension funds, however, long-term Treasuries would probably be what the portfolio required. Of course, funds operated under "prudent man" rules would probably need have no more than 10% to 15% of portfolio invested in long-term governments.

The Treasury 3s of 1995

Now, before I leave the Treasury section of the market, I want to revert to the Treasury 3s of 1995. Right now they are, and I don't mind putting myself on record, the outstanding buy of the entire bond market. Let me illustrate what I mean. These 3s of 1995 yield almost 3% on the world's top credit. By contrast the most recently offered triple A rated public utility obligation, the Philadelphia Electric 3⅛s of 1985 came to market last month on a 3.12% basis, only 15 basis points more than the Treasury 3s yield. They are moreover, subject to call, at a slight premium, at the pleasure of the borrower. And you can rest assured that the time which the borrower deems appropriate to exercise his right of redemption will be precisely the time most inconvenient for the holder of this bond to find a suitable replacement at a similar yield. This might not occur for five years, maybe more, but when it did, it's a safe bet that money rates would have eased. As you all know, many of the higher-grade corporates brought out at high yields two or three years ago have already been refunded. And because the Treasury 3s are not callable prior to maturity, they offer well-nigh complete protection against such an eventuality. I would like to repeat, and I can't emphasize too strongly, they are the outstanding buy in the bond market today.

Now let's take a look at the public U. S. dollar issues of the International Bank for Reconstruction and Development. The yields they afford should certainly be attractive to pension funds. The 3s of 1972 and 1976 and the 3¼s of 1981 afford yields of 3.13% to 3.21%, with not even a theoretical risk of loss through call.

The total amount outstanding of the World Bank's U. S. dollar issues comes to far less than the U. S. capital subscription to the bank. Consequently, there is a wide margin of safety which, together with other factors, has made these bonds acceptable as legal investments to many state banking departments. They are logical investments for pension fund portfolios operated under "prudent man" investment rules.

The Tax Exempt Market

Next, let us consider the tax-exempt market. Most of these tax-free offerings are much too rich for tax-exempt investors like pension funds. Some, however, yield about as much as the Treasury 3s, or perhaps a shade more.

Where this happens the unusually high tax-exempt yields afforded might be said to be the result of municipal growing pains. We all know that after the war many communities were flooded with new population which required greatly expanded facilities —water works, sewers, schools, and all sorts of public improvements. Debt ratios increased and credit ratings dropped. So, when the borrowers came to market, they had to pay more for their money—3% or more in the longer maturities, in some cases. Traditional type public pension funds, legally unable to invest in corporate obligations may be able to obtain their yield requirements in this section of the municipal bond market.

The toll-road revenue bond is another type of tax-free bond which has achieved a prominent position in the municipal bond market. Where legally permissible, these bonds, with yields ranging from slightly under 3% to about 4%, should be prime candidates for your portfolios. Some other issues, less actively traded, yield over 4%. These yields, of course, are competitive with, and, in some cases, exceed those afforded by corporate bonds. This is because many of the projects the bonds were issued to finance are still in the construction stage. And the supervisory authorities frown on commercial bank investment in construction project obligations. Of course, when the projects are completed and the revenues are coming in, such bonds do become eligible for commercial bank purchase. Meanwhile, the market for the bonds is just that much narrower, and, consequently, the yields they afford just that much higher. The roads which have been completed and are now in operation have already demonstrated their investment merit. Many of the most astute investment officers in the country's largest life insurance companies, savings banks, and pension funds have included construction project bonds in their portfolios at attractive yields. People want good roads and are willing to pay for them.

Short-Term Securities

Now let's turn to short-term securities and, particularly, equipment trust certificates. As a group, equipment trust certificates are generally issued in serial form with maturities running out 10 to 15 years. They represent a sort of intermediate sector in the whole maturity range of the bond market, and can be used to meet a pension fund's special maturity needs. Among other desirable qualities, they have one great virtue: As a rule, they are not callable. When you buy a maturity, you can count on it.

Equipment trust certificates represent top investment quality. They start out with a substantial cash equity which automatically increases each year as a maturity is paid off. Meanwhile, title to the equipment remains with the trustee until the last maturity has been paid off. Consequently, if trouble should develop, the trustee can claim the equipment and sell it to another road. Now railroads need rolling stock to stay in business and, consequently, even roads in reorganization manage to find the funds to meet their equipment trust obligations.

Investment Preferred Stocks

Now, let's direct our attention to investment grade preferred stocks. Many have been bought by pension and trust funds, life insurance companies and savings banks. Top-quality utility preferreds generally yield about 1% more than similar quality utility bonds. There are a number of non-callable, high dividend industrial preferreds, such as Bethlehem Steel 7%, Corn Products Refining 7%, Eastman Kodak 6%, International Nickel 7%, and United States Steel 7%, to name a few. They afford excellent and well protected yields which range from 3½% to 4¼%. To acquire small blocks of such issues without running the price up takes a good deal of trading skill, but it can be done.

As a group, however, the preferred stocks have become a trifle "rich" for the public pension fund portfolio since I spoke to you last year. This is because such issues possess distinct tax advantages to certain types of institutional investors, notably, casualty companies and savings banks. This, of course, shows up in the marketplace, and care should be taken that funds not be committed in this section of the market unless there is a sufficiently wide spread in yield as compared with bond investments.

Long-Term Corporate Bonds

Now we come to the long-term corporate bonds which generally constitute the major portion of a "prudent man" type portfolio. As a rule, the public utility section usually affords the biggest investment supply. Currently, the two top quality classifications show yields of about 3.05% to 3.15%, at best. In today's market, the next quality category affords yields of up to 3.20% to 3.30%. Where yields run markedly higher than these ranges, the bonds are usually priced so far above call that, should they be called, a buyer, might suffer a loss on the investment.

Long-term, high-quality rails show a bit more yield than utilities. Industrial issues tend to yield a bit less, to be a little "richer" for the investor. Industrial new issues are generally fewer in number than public utilities, and the floating supply is smaller. In addition, they usually have active and substantial sinking funds, whose operations keep floating supplies somewhat smaller than is the case in utilities.

At the present time a rather interesting development has occurred in the public utility section of the bond market. Traditionally yields on natural gas bonds as a group have considerably exceeded those available on light and power company bonds. In recent months this usual spread has narrowed quite a bit which would seem to make light and power bonds comparatively more attractive marketwise than those of the natural gas group.

Now there is an important area of the investment field which either does not appear at all in public investment information media, or which makes its appearance long after its issuance. That is the section devoted to direct placement financing.

Direct placements are well suited to public pension funds' investment needs if certain safety rules are observed. Public funds, by and large, are not as well endowed with investment research facilities as are private pension funds and life insurance companies. Therefore, I believe they should confine their direct placement participations to the financings of well-known corporations with an extensive history, where market comparisons are readily available, and then only in company with major, nationally-known institutional investors.

Our most recent direct placement at Salomon Bros. & Hutzler, for example, was a $38,500,000 refunding issue of 4⅛% 25-year debentures for the Western Union Telegraph Company. The buyers of these bonds were major life insurance companies throughout the country, a mutual savings bank, and some pension funds. So, within the limits set forth, direct placement issues are very well adapted to pension fund investment requirements.

Common Stocks

No survey of the investment market would be complete without a comment on common stocks. Equities have come to play an increasingly important role in pension trust investment. For this, there is good reason. For one thing, they bolster yield; for another, in the long view they are safer than they seem. The Dow-Jones Industrial Average has, from 1887, on, shown an irregular but sustained upward trend from around 35 to above 400. This, I think, illustrates why savings banks, trust funds, pension funds, and other ultra-conservative investors have been acquiring holdings of common stocks.

Public pension fund investing seems to be growing steadily more liberal. In the case of corporate bond investment it has become an important market factor. In recent months, for example, there have been a number of moderate sized, high quality public utility issues which were entirely absorbed by the normal investment activities of just three public pension funds, two state and one city, plus a few small private institutional investors, thus assuring successful flotations without any large life insurance company participation. This is a new state of affairs in the institutional investment markets. It illustrates the growth of investment demand which is accompanying the growth of the national economy. By now we're all accustomed to mass production. Mass investment is not as well publicized as yet, but it's just as essential to a sound national economy. And we at Salomon Bros. & Hutzler are keenly aware of it. So, in accordance with the basic policy that has guided our trading activity throughout our business history we are helping to make mass investment easier for institutional investors by providing them with the largest markets possible at the closest possible spreads in institutional securities.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates yesterday (May 11) offered $4,080,000 of New York, Chicago and St. Louis RR. 2⅞% serial equipment trust certificates, maturing semi-annually Dec. 15, 1955 to June 15, 1970, inclusive.

The certificates are offered at prices scaled to yield from 2.30% to 3%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 32 Diesel-electric road switching locomotives estimated to cost $5,119,503.

Other members of the offering group are — Wm. E. Pollock & Co., Inc.; and McMaster Hutchinson & Co.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — Stuart M. Smith has been added to the staff of King Merritt & Co., Inc., 53½ West Huron Street.

Henry Herrman

Henry Herrman, partner in Henry Herrman & Co., New York City, passed away May 5.

Politics and the London Stock Exchange

By PAUL EINZIG

Commenting on the recent fluctuations in prices on the London Stock Exchange, Dr. Einzig finds that the short-lived recovery, following the announcement of a general election, was due to belief in a Conservative victory. Points out, however, there is a realization that even if the Conservatives are confirmed in office, the task in the economic sphere would be far from easy. Moreover, Stock Exchange tendencies will be determined by future economic factors and not by politics.

LONDON, Eng.—The announcement of the government's decision to hold a General Election at the earliest possible moment was followed by a recovery of Stock Exchange prices, owing to the optimistic views taken by investors and speculators about the prospects of a Conservative victory. The recovery proved to be short-lived, however. It was followed by a setback, especially in the market for Government Loans. This was due in part to the realization that it was somewhat premature to celebrate victory four weeks before Polling Day, and in part to the realization that even if the Conservative Government should be confirmed in office by the Election results its task in the economic sphere would be far from easy.

Dr. Paul Einzig

It is of course understandable that the Stock Exchange should be inclined to take an optimistic view about economic effects of a Conservative victory. The business world and investors have no reason to expect anything good from a Socialist Government. There will be statutory limitation of dividends, more nationalizations, additional taxation, including a capital gains tax, and various other unfriendly measures liable to affect investors and businessmen. A Conservative victory would mean that for some years at any rate the Stock Exchange would be safe from such shocks. For this reason, many people are inclined to take it for granted that Stock Exchange prices must fluctuate with the prospects of a Conservatory victory. And since the number of those who believe this is large, the influence of their attitude on Stock Exchange tendencies is sufficiently strong to make Stock Exchange prices fluctuate in their sense.

In reality things are not so simple as that. Important as the political considerations are among the factors determining the Stock Exchange tendencies, their influence is liable to be overshadowed in the long run by that of the economic factors. Possibly the immediate effect of a Conservative victory on May 26 would be a sharp rise. It is a mistake to imagine, however, that, once the Conservative Government is confirmed in office, Britain would live happily forever after—at any rate until the next General Election.

The government will have to face the difficulties caused by domestic inflation and its effect on the balance of payments. On the eve of the Election the government was not in a position to enforce unpopular credit restrictions. Once the Election is over it will become inevitable to administer the bitter dose of medicine which by then will be somewhat overdue. It may become necessary to cut credit at least to the same extent as in the early part of 1952, even at the cost of producing a certain amount of unemployment. Fortunately during the last three years the situation changed to such an extent that the same degree of credit restrictions need not result in the same degree of unemployment. Credit cuts can now produce their intended effect largely through reducing overtime working.

The increase of industrial output in Britain during 1954 was almost entirely due to the increasing extent to which overtime was worked. There was practically no unemployed reserve available for firms wanting to increase their output. The only way in which this end could be achieved was by inducing their workers to work longer hours. In most industries workers were willing and even eager to do so, in return for substantial overtime pay, which together with bonuses, more than doubled their basic earnings in many instances.

The immediate effect of a curtailment of business activity through credit restrictions would be in the circumstances a reduction of overtime rather than a dismissal of workers. From a social point of view this would of course be the smaller evil. It would effect, however, business profits both directly and indirectly. Its indirect effects would be produced through an all-round decline of consumer demand. There would be smaller profits and smaller dividends. This would inevitably affect the prices of equities.

As for the prices of Government Loans, they too would be affected by the corrective measures to be applied after the Election. It may become necessary to raise the bank rate further which would of course mean lower prices for securities with fixed interest. Credit restrictions may induce business firms to realize some of their holdings of government securities. It is in anticipation of such effects that the market for Government Loans, which is immune from the affects of the unfriendly attitude of a Socialist Government towards Capital, has shown a weak tendency.

A Socialist victory would of course produce a strong immediate sentimental effect on Stock Exchange prices. On the other hand, there would be no need to fear deflationaary credit restrictions. A Socialist Government could not possibly afford politically to allow employment to decline below the level to which it had risen under the Conservatitve Government. Not only would it feel impelled to prevent the development of unemployment but it would also do its best to maintain existing conditions regarding overtime. The measures Mr. Gaitskell would take, should he become again Chancellor of the Exchequer in a Labor Government, would be not high bank rate and credit restrictions but import restrictions, the restoration of controls and higher taxation of business profits.

It is true, higher taxation would tend to cause a decline of Stock Exchange prices. On the other hand import restrictions would concentrate on domestic products the inflated consumer demand and this would tend to increase profits. On balance there would be little to choose in the short run between the effects of the economic factors on the Stock Exchange in case of Conservative victory or Socialist victory, apart from the first reactions. The adverse balance of payments would have to be corrected during the ensuing months, and the readjustment is bound to be painful whether it is carried out by Conservative methods or by Socialist methods.

Taking a long view, however, conservative credit restrictions are more likely to restore equilibrium than the Socialist devices. After a transitional period lasting some months, or maybe a year, it would become possible to relax credit restrictions and to resume expansion. On the other hand if the present over-expanded conditions are sought to be maintained by artificial devices difficulties are liable to increase in the long run. So taking a long view a Conservative victory would make for higher Stock Exchange prices for economic as well as political reasons.

Joins E. R. Bell Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Mrs. Eileen T. Lemke has joined the staff of E. R. Bell Co., 4627 Wornall Road.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Arnold S. Roberts has become connected with E. F. Hutton & Co., 111 West Tenth Street.

A. E. Weltner Adds

(Special to THE FINANCIAL CHRONICLE)

ST. JOSEPH Mo. — Kenneth R. Anderson is now associated with A. E. Weltner & Co., Inc., Corby Building.

NYSE Opens Streamlined Exhibition Room

Keith Funston, President of the New York Stock Exchange, has announced that a streamlined version of the Exchange's Reception and Exhibition Rooms is opened to the public.

The new quarters are on the ground floor and second floor of 18 Broad Street. The second floor area adjoins the famous Gallery overlooking the trading floor of the Exchange which has been visited by millions of people since it was first opened in April, 1939.

The Rooms are staffed by six receptionists—known more familiarly to the Exchange's visitors as "The Girl Guides."

Exhibits have been installed by Sylvania Electric, Chrysler Corporation, United Air Lines, Association of American Railroads, Socony-Vacuum Oil Company, Crucible Steel Company, Yale & Towne Manufacturing Company, West Penn Electric Company and Union Carbide & Carbon Company.

In addition the Exchange itself has five animated exhibits and six wall murals which graphically explain just what a share of stock is, the risks and rewards involved in owning a share of a business, and the various operations involved in executing an order to buy and sell stock on the floor of the Exchange.

Visitors will be invited to have their name printed on the ticker tape together with a word of greeting from the Exchange.

Mr. Funston said that the Exhibition and Reception Rooms are an integral part of the Exchange's program to tell the public just how the Exchange operates and its function in the economy.

Mr. Funston said that the new building which will be erected at 20 Broad Street in 1956 will contain 4,300 square feet for a new and more elaborate exhibit area as well as an intimate theater for showing the Exchange's films.

Bond Club of N. Y. Gets Official Slate

George H. Walker, Jr. of G. H. Walker & Co. has been nominated for President of The Bond Club of New York for the coming year to succeed Ranald H. Macdonald of Dominick & Dominick. The election and annual meeting will take place at the Bond Club Field Day to be held at the Sleepy Hollow Country Club, Scarborough, N. Y., on June 3.

George H. Walker, Jr.

Robert J. Lewis of Estabrook & Co. has been nominated for Vice-President to succeed Mr. Walker. Blancke Noyes of Hemphill, Noyes & Co. has been nominated for Secretary, and Robert A. Powers of Smith, Barney & Co. for Treasurer.

Nominated for new members of the Board of Governors are: W. Scott Cluett of Harriman Ripley & Co., Inc.; Charles J. Hodge of Glore, Forgan & Co., and Norman Smith of Merrill Lynch, Pierce, Fenner & Beane.

Continued from page 9

The Trend of Interest Rates

spending power, plus confidence in the long-run prospects.

Money Rates Decline in 1954

Money rates in 1954 declined. The average yield on long-term taxable governments dropped to 2.53% and Moody's Aaa bond index declined to an average yield of 2.90%. Bond prices fluctuated over a very wide range during the year but stabilized in the latter part of the year.

The Federal Reserve's policy of active ease continued until late 1954. At that time, with the economic recovery gaining momentum, the policy was changed to one of "ease" or neutrality. The annual report of the Board for 1954 reviewed this change in policy and ended with the following statement:

"A re-examination of the policy of 'active ease' in the light of this economic review led the Committee to the conclusion that the developing economic situation did not warrant continuing as active a program of supplying reserves to the market as had been followed during the preceding year, although it did not feel that a policy of credit restraint was called for at the time."

Although at the present time the System is not aggressively tightening credit, there is nevertheless a touch of restraint in its policy of neutrality. While the recent increase in the rediscount rate to 1¾% from 1½% was not a punitive action, it reflects further evidence of the firming in interest rates. There would seem to be little doubt that the Federal Reserve will undertake further restraining actions, should the present high rate of economic activity, with its large capital demand, rise much beyond present levels.

The history which has just been somewhat sketchily reviewed possesses its greatest value in establishing the position which the Federal Reserve System now plays as monitor of the American economy and emphasizes the importance of Federal Reserve policy to all business activities concerned with credit. Consequently, in analyzing the coming trends which now cast their shadows before them, frequent further reference to the Federal Reserve cannot be avoided.

Supply and Demand of Investment Funds

Economists for years have been the target of humor and sarcasm but perhaps Senator Barkley summarized all of this humor and sarcasm when he reportedly described an economist as "an unemployed financier with a Phi Beta Kappa key at one end of his watch chain and no watch at the other." Despite the fun we poke at economists, some of them deserve to be taken seriously, and each year some of the analyses that are made of the supply of and the demand for investment funds deserve careful attention. These figures can be projected within a reasonable degree of accuracy, subject, of course, to the usual limitations imposed by uncertainties with respect to general business conditions, the state of international affairs, and similar imponderables. Review of the few outstanding studies of this kind indicated at the beginning of the year a unanimity of opinion that there would be only about $33.6 billion available to care for a demand of $35.2 billion, leaving a deficiency of approximately $1.6 billion in investment funds in 1955. In other words, at the year-end the foreseeable demand for investment funds was expected to exceed the supply of available funds by this amount, all of which suggested more borrowing from the commercial banking system and relatively firm interest rates, barring a renewed policy of "active ease" on the part of the Federal Reserve System.

Since the year-end the rate of saving has declined somewhat and the estimate of business expenditures has been revised upward from $26.8 billion to $27.1 billion. Also, in January the Treasury issued $1.9 billion of 40-year 3% governments, although the impact on the supply of investment funds was minimized by the fact that they were issued in an exchange operation. These factors, plus the continuance of the housing boom and a sustained volume of consumer credit, cause the most recent study which has become available to indicate a total demand for capital of $36.5 billion in 1955.

As nonbank sources are expected to supply about $32 billion of these requirements, the banking system will be looked to for the additional $4.5 billion, and with free reserves very low, the banking system will in turn look to the Federal Reserve System. A $4.5 billion deficienecy in long-term funds during the months ahead adds further emphasis to the prospect of firmer interest rates. Effects of this situation have been apparent since the turn of the year in soft bond prices, the sharp rise in Treasury bill rates, the recent increases in the rates on short-term paper by the major finance companies, and the higher rediscount rate. Early in 1955, the System sold approximately $1 billion of U. S. Government obligations, but if it later this year repurchases approximately the same amount, then bank reserves will be sufficient to provide the estimated capital deficiency of $4.5 billion.

Influence of the State of Business Activity

No appraisal of the trends of interest rates can possess much meaning unless it takes into account the state of business activity. As everyone knows, the economy now experiences a revival from the so-called recession of 1954. The Federal Reserve Index of Industrial Production reached a high of 137 in July, 1953, and then declined to a low point of 123 in July, 1954. Since that time it has risen steadily and in March, 1955, stood at 135. Gross National Product, that is the total output of goods and services, was running at an annual rate of $369 billion in the first quarter of 1955, only slightly below the annual rate of $369.9 billion achieved in the second quarter of 1953 which, incidentally, was the best production quarter ever recorded. While Government expenditures have declined sharply, personal incomes and consumer spending are at high levels, inventories are being rebuilt following their liquidation of last year, housing starts for 1955 may reach an all-time high, employment is approximately full and capital expenditures are high.

With practically four months of 1955 now recorded in the history books and with the high momentum presently propelling the economy, it can be stated without hesitation that 1955 will be chronicled as an excellent year for business, if not a record year, barring, of course, some unforeseen and probably unforeseeable development. As each day passes, and new figures become available, the likelihood of a record year increases.

The Long Range View Point

From the longer range point of view, it becomes more difficult to speak with a similar degree of confidence. Only a most reckless prognosticator would deign to deny the inevitability of downward fluctuations in our economy. At the same time, we must not ignore two very important factors which not only are contributing materially to our present prosperity, but also bode well for the future.

One factor is the rapidly growing population of the country. A new person joins the American populace by birth every nine seconds, compared with the loss of one person by death every 21 seconds. Every two minutes an immigrant arrives while an emigrant departs every 17 minutes. In 1954, there were 4,090,000 births. One writer recently dramatized these figures by pointing out that each month we add a city the size of Richmond, Va.; every year a new state the size of Maryland; and every four years a California. Our population now stands at 164 million but by 1975 may well be 220 million. Translate these figures into new cars, new homes, other human wants, productive capacity, and demand for capital and you have imparted a tremendous stimulus to the American economy.

The second factor is the lightning-like technological advance taking place so rapidly that we detect it only with difficulty and it is highly probable that few non-technical men comprehend its real significance. A new source of energy from split atoms holds great promise of easing the physical burden of mankind. The two zones of electronics and nucleonics, deep mystries to most of us, promise advances that even a reckless dreamer like Jules Verne dared not imagine. Enough for such speculation other than to say that such developments not only can provide future stimuli to the economy, but more particularly will create a tremendous demand for capital.

Prosperity Has Its Problems

The immediate prosperity which we enjoy is not without its problems. There are those who express grave concern that our current rate of economic activity may be too high for the welfare of the future. Frequent expressions of concern have been heard about the record-breaking rate of new automobile production and the number of housing starts. The high rate of new housing construction in the early months of 1955 has provoked solemn and stern warnings from bankers, and recently the Joint Committee on Economic Policy of the Life Insurance Association of America and the American Life Convention issued a statement in which it warned that:

". . . Measures need to be taken promptly by Government and private groups to dampen down the boom in housing. The basic cause for this boom is excessively easy credit."

The high rate of business activity deriving in part from record-breaking automobile production and a conspicuously high rate of housing starts is undoubtedly generating a strong demand for funds, and barring offsetting influences by the Federal Reserve, will continue to create pressure in the direction of higher interest rates. Since the Federal Reserve has no specific or qualitative controls to apply to these sectors of the economy, if it deems it necessary to "temper the boom," it will have to resort to general credit restrictions which, being qualitative in nature, will affect business activity in other areas as well.

Even though American business now roars along toward completion of one of the best years in its history, commodity prices have been relatively soft. During 1954, the Bureau of Labor Statistics Wholesale Commodity Price Index moved within a range of from 111.0 to 109.5 and Moody's daily index of spot commodities has declined from 435.7 in March, 1954 to 401.5 in March, 1955. Although these price declines have occurred during a period of inventory accumulation, if at any time evidences of price inflation should become apparent, it is abundantly clear that steps to tighten credit further would become desirable.

The Stock Market

No current discussion of the trends of interest rates can ignore the present position of the stock market. Whether the market in terms of the future is relatively high or relatively low becomes a matter of individual determination, but most observers will agree on certain aspects of the current market. In the first place, the stock market has had a substantial advance with about a 50% increase in the Dow-Jones Industrial Average since November, 1953. In the second place, an increased amount of credit is being used in the market. For example, in the first week of April, 1955, loans to brokers and dealers for carrying or purchasing securities other than U. S. Government securities reached an 11-year high of $1.8 billion, or $828 million above the comparable 1954 period. In the third place, there has been greatly increased public participation in the market.

Recognition of these tendencies prompted the Federal Reserve Board in January, 1955 to raise the margin requirement from 50% to 60% and since that time it is reported that some brokerage houses voluntarily have imposed even more stringent margin requirements. If the stock market continues to rise and if an increasing amount of credit goes into the market, the Federal Reserve authorities have only two major avenues of action open to them: (1) raise margin requirements further; and (2) tighten credit further. Obviously, margin requirements cannot be increased beyond the point that requires 100% margins and, if credit is tightened, it cannot be made difficult to procure for the financing of stock purchases without making it difficult to procure funds for other business purposes. Thus, the tightening of credit to curtail stock market activity could have an adverse effect on general business conditions.

Part Played by Federal Financing

Next, what part do Federal finances play in the outlook for business activity? Estimates for the current fiscal year vary considerably, some authorities anticipating a budgetary deficit of $4.5 billion while others expect a deficit of only $2.6 billion. On a cash basis estimates range from a deficit of $2.4 billion to only a nominal imbalance. For fiscal '56 a budgetary deficit of $2.4 billion and a cash surplus of about $1 billion or more are now anticipated. Regardless of the exact amount of Federal deficits, it is clear that "pump priming" by deficit financing is presently small in relation to private investment, and, assuming no further disturbances in international affairs, will probably be of even less significance in fiscal '56. The current business recovery and its concomitant capital demand are, therefore, based primarily on private optimism and determination.

However, between now and the end of December, the Treasury probably will have to borrow $9-$9.5 billion of new money and refund approximately $25 billion of maturing obligations. On two points the Treasury has made itself very clear: (1) that it is anxious to extend the maturities of the Federal debt; and (2) that at the same time it does not care to accomplish this at the expense of a high rate of business activity. The latter point assumes particular importance when one realizes that 1956 is a Presidential election year. However, as has already been demonstrated, the Treasury probably will not hesitate to use long-term bonds as part of its financing program later in the year if it deems conditions favorable to such a program. To the extent that this is done to raise new money, it creates an increased demand for long-term funds, enlarges the deficiency of such funds, and puts additional upward pressure on interest rates.

Commitment Position of Life Insurance Companies

Another very important factor influencing the trend of interest rates is the commitment position of life insurance companies. While there will be approximately $32 billion available for investment in 1955, $5.4 billion or 17% will come from the nation's life insurance companies. The extent to which the investment requirements of the life insurance companies make themselves felt on the money market depends to some extent on the commitment positions of those companies. It stands to reason that when the life companies are heavily committed, they are less eager for investments than when cash is piling up in the bank accounts. Under the latter circumstance, they will be reaching for investments and buying for near-term delivery as well as for future delivery. Therefore, in order to appraise the near-term money market outlook, it is essential that we review the commitment position of these companies.

For the past several years, the investment research staff of the Life Insurance Association of America has compiled monthly figures of the forward investment commitments of life insurance companies. At the end of January these commitments, while down a little from their high, stood at $3,885 million, of which $2,367 million are expected to be taken down during the next six months. By the way of contrast, it is interesting to note that one year earlier these commitments stood at $2,849 million. The commitments at the end of January, when compared with April, 1951 as a base, were the highest for any January since the series has been compiled. Not only were commitments high, but some companies have adopted the practice of warehousing mortgage loans for their own account. It can be argued that such practice suggests an expectation of lower interest rates in the future and an effort on the part of the warehousing companies to anticipate their requirements while more favorable yields prevail. Be that as it may, the fact remains that a heavily committed position identifies the life insurance companies at present and, so long as this continues, greatly tempers what otherwise might be a strong force in the direction of somewhat lower rates.

All of our comments thus far have assumed the continuation of a high rate of business activity, a rate so high, in fact, that in certain segments of the economy it is difficult not to foresee a slowing down of production. The automobile industry certainly is an outstanding candidate in this connection and the housing industry may be in a similar position. What will happen to interest rates if business, in spite of present optimistic indications, should decline later in the year? The likely answer seems reasonably clear. In the first place, capital expenditures, the demand for commercial loans, the demand for consumer credit, and likewise the volume of new security offerings and new mortgage loans might

well decline. To whatever extent the stock market might be adversely affected, the demand for credit from this quarter probably would also abate. The Treasury, desirous of not contributing to a tightening of the money market during a period of declining business, would undoubtedly avoid long-term financing and the Federal Reserve, in an effort to avoid a sharp decline, would probably amend its policies to those of active ease. All of these circumstances would point to lower interest rates but, unless you are willing to bank on a reasonably sharp decline in business, don't count on lower interest rates.

To summarize our views:

(1) The Federal Reserve System, since March, 1951, has not been subservient to the Treasury and is now sufficiently independent in policy determination to exert its influence and force on the money market substantially as it deems for the best interest of the country;

(2) The Federal Reserve System has supplanted its policy of "active ease" with one which may be described only as "easy" or neutral and in this change is the threat of further moves in the direction of tighter money;

(3) The demand for investment funds in 1955 will exceed the supply of such funds by a substantial amount;

(4) Business activity is running at a high rate and even though it may possibly slow down later in the year, 1955 will still be an excellent year even though it may not establish an all-time record;

(5) The rapidly growing population and technological advances promise to provide strong impulses for the economy and to create a growing demand for capital;

(6) Continued increases in stock market prices or other inflationary evidences may require strong action on the part of the Federal Reserve;

(7) The need of the Treasury to borrow later in the year on a substantial scale and the Treasury's policy to lengthen maturities constitute a constant threat that the Treasury will do long-term financing for new money if business activity continues at a high rate and money rates are favorable;

(8) The life insurance companies have very heavy commitment accounts.

All of this suggests no softening of interest rates in the near future and the possibility of further moderate stiffening of rates unless business begins to slow down somewhat severely.

This conclusion, in turn, points to soft prices for mortgage loans, particularly if the volume of new building continues at a high rate. At the same time, the demand for loans will be relatively great, which can be demonstrated statistically, if one has the time.

The mortgage banker occupies an essential position in the framework of the financial structure of the country. He is a vital and integral part of the financial organization of the life insurance companies of the nation. Even though the volume of new loans should decline, he still must service the loans outstanding and, in case of trouble, assist in solving the problems. His position is much like that of the stockbroker who has business and earns commissions when the stock market goes up and when it goes down. Unfortunately perhaps, the transaction of business has been so easy in most of the recent years that any adverse conditions have a more than normal impact. For the industrious, efficient and reliable mortgage banker, the future is one of great promise, irrespective of the trend of interest rates.

Public Utility Securities

By OWEN ELY

Potomac Electric Power Company

Potomac Electric Power ("Pepco") supplies electricity to a population of 1,330,000 in the District of Columbia and adjacent areas in Maryland and Virginia. The service area is about 643 square miles, covering over half of Prince George's and Montgomery Counties in Maryland and a small part of Arlington County in Virginia. Roughly two-thirds of the population served is in the District of Columbia.

There is comparatively little industry in the area, accounting for only 17% of revenues. The U. S. Government accounts for about an equal percentage of revenues. Residential usage of 2,540 kwh per annum about equals the national average, and due to severe regulation residential consumers last year had to pay only 2.35 cents per kwh, well below the national average of 2.69 cents.

The company's area is not a "rapid growth" territory but there has been considerable increase in suburban population in Maryland, and much building activity. This reflects in part a movement of population from Washington to the suburbs, and the city itself is not now showing much net gain in population. The company's revenues are increasing at the rate of about 4-5% annually (excluding rate adjustments) and this trend seems likely to continue.

The air-conditioning load is growing and a considerable number of heat pumps are being installed in new homes—the territory is well suited for their use. To supplement present generating capability of 843,000 kw the company is building a 100,000 kw unit to be ready next spring, and a similar unit is planned for future construction.

The company is spending about $26 million a year for construction, which involves about $16 million in new financing. It proposes to sell in the near future $10,000,000 of first mortgage bonds and to offer 511,660 shares of common stock to stockholders on a 1-for-10 basis. Pro forma capitalization will then be about as follows:

	Millions	Percent
First mortgage bonds	$110	50
Short-term bonds	15	7
Preferred stock	11	5
Common stock equity (5,628,700 shares)	81	38
	$217	100

The company's next financing will probably be early in 1956. Since only $3.2 million of the $15 million bank loans are being retired from proceeds of current financing, it is possible that preferred stock may be issued early next year to take care of the balance. The present equity ratio is considered satisfactory, hence it seems possible (but not definite) that equity financing will be avoided next year.

Potomac Electric Power has had a difficult regulatory situation in the District of Columbia. In 1925 what seemed a promising "Sliding Scale" Plan for rate adjustment went into effect. During 1925-43 as net earnings improved the company made a number of rate reductions, totaling $8 million in revenues. But the plan worked only one way. The rate of return dropped from 7½% in the early days to 6% and the District of Columbia Commission, supported by the Courts after long litigation, required a reduction to 5½%. Moreover, the rate base was cut to a "bare bones" cost basis, although District law referred to fair value. Thus New Deal influence in Washington kept rates and earnings at a low level, and the return on invested capital (as reported by Standard & Poor's) dropped to as low as 4.4% in 1947.

A modified plan remained in effect from 1943 until terminated last December. This plan proposed to set up an actual balance sheet reserve in years when earnings were good, to be drawn upon when earnings were below 5½%. (This return was based on the "cost of money" theory popular in certain regulatory quarters in Washington at the time). But the new plan worked little better than the old, and in the five years 1950-54 there was an unsatisfied deficiency in each year except 1952. At the end of 1954 the Commission, at the company's request, terminated the plan.

The regulatory picture has now improved somewhat (possibly due in part to the appointment of two Commissioners by the present Administration). Long standing litigation over a 1951 rate increase has been cleared up and recently the District Commission granted a new increase of $3.8 million effective May 6 (about two-thirds of what the company requested). This will raise the rate of return to a theoretical 5.85% on an original cost year-end rate base.

Pepco's share earnings dropped from $1.51 in 1937 to 94 cents in 1950, recovered to $1.35 in 1952 but dropped again to $1.18 last year. The rate increase adds about 33 cents annually, but with the increase effective for less than two-thirds of the year and with a 10% equity dilution, share earnings for 1955 are estimated at around $1.27 to $1.30. Next year, with the rate increase fully effective and with equity money working, earnings might be expected to show further improvement. In such event, it would seem logical for the directors to consider the possibility of raising the $1 dividend rate.

The common stock has been selling recently around 21¼ to yield 4.7%.

Jos. Naiman Co. Formed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joseph Naiman is engaging in a securities business from offices at 210 Denargo Market under the firm name of Joseph Naiman & Co.

O'Brien & Williams Admit

MONTREAL, Que., Canada — On May 1st John T. Brooks became a partner in O'Brien & Williams, 132 St. James Street, West, members of the Montreal and Canadian Stock Exchanges.

Harris, Upham & Co. In New Quarters

Harris, Upham & Co., one of the nation's oldest and largest investment brokerage firms, announces that the main office will move to new and enlarged quarters in the Equitable Building, at 120 Broadway, New York City.

Occupying an entire city block, the new office will be air-conditioned, and equipped with the very latest in modern office machinery.

The business of Harris, Upham & Co., was established in 1895 and today the firm maintains memberships in the N. Y. Stock Exchange and other leading security and commodity exchanges, and a network of branch offices and correspondents in more than 70 cities from coast to coast.

With Makris Firm

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Nick P. Christos, Paul B. Hadji, James N. Jamieson and David J. Williams II have joined the staff of Makris Investment Bankers and Company, Ainsley Building.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Edward H. Van Cott has become associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. Mr. Van Cott was previously with Crowell, Weedon & Co.

Continued from page 15

Reflections on the Business Outlook

judging from current observation, these pressures are indeed formidable and pervasive.

However, new houses are now being started at a rate perhaps twice that of family formation, and as the year progresses, some easing in home building is a likely development; in fact, some levelling of may already be under way. At the same time, the continuing high level of residential starts, together with the course of new contracts, suggests that the decline in home building is not likely to be rapid.

For non-residential construction, on the other hand, the recent rise in new contracts presages a higher level of activity in the months ahead. Commercial construction is soaring, and industrial construction is again moving upward. Last, but certainly not least, is the steady rise in State and local construction, which has persisted over the years and shows no signs of abating; in fact, the backlog of public works is still very large.

Business Spending on Plant and Equipment—One of the most significant items of business news in recent weeks was the result of the latest McGraw-Hill survey of business intentions regarding plant and equipment expenditures, one of the key factors in our economy. Such expenditures, which had been sagging after reaching their 1953 peaks, had previously given signs of levelling off; the accumulating evidence now indicates that their direction once again is upward, carried on a broad wave of business confidence. In fact, business seems not only to be planning larger outlays during the course of 1955, but also to maintain a high level of plant and equipment spending in 1956. Such evidence, though tentative, may well be regarded as an important clue to the business outlook beyond the turn of the year.

Business Inventories — So far this year there has been no important accumulation of inventories. This, however, is not unusual. The course of inventories tends to lag behind production and business activity. Inventories continued to increase in 1953, apparently involuntarily, after the peak of business activity had already been passed, and continued to decline late in 1954, when tendencies toward accumulation seem to have been offset by rising sales. There is little doubt that business policies have shifted from inventory liquidation to accumulation, although any appreciable increase in stocks has been largely prevented by the vigor of the economic recovery. The expansion in production and sales suggests that businessmen will continue their efforts to increase inventories in the coming months, and this should be an important source of demand in the economy later in the year.

Government Spending—The reduction in Federal expenditures initiated in 1953, which was a factor in the business downturn at that time, has about reached its end, at least for the present. Furthermore, procurement for national defense has been stepped up from the low levels of last year, thus supporting the prospects for activity in the metal and metal-fabricating industries.

To some extent, of course, trends in defense spending are affected by the international situation, which currently is confusing and ambiguous; rising hopes for peace vie with signs of increased alarm. However, even a major relaxation of tensions is not likely to be followed by large cutbacks in Government outlays except over a longer period of time, although anticipations of cutbacks might have more immediate repercussions upon business planning. An intensification of international troubles, on the other hand, may well lead to a fairly rapid increase in Government procurement as well as in private demands.

Appraising the Outlook

It is evident that the current rate of business activity rests on a fairly substantial foundation and is likely to be well sustained for some time ahead. Underlying trends are still strong, and the economy appears well on its way to new peaks of industrial production and gross national product. However, it is doubtful whether expansion can persist much longer without greater signs of stress beginning to appear. The slack remaining in the economy has been significantly reduced, and this suggests that the pace of expansion is likely to slow down in the months ahead.

New Records for 1955—Opinions of economists regarding the second half of 1955 are largely divided between those who expect some further rise in business activity and output by the end of the year, and those who foresee a levelling off, with perhaps some easing developing in the last few months of the year. The shades of difference, however, are relatively small, and the controversy is more apparent than real. By and large, the economic forecasters are in general agreement that business will be brisk and active throughout the balance of 1955.

Some components of the business picture will operate at lower levels in the latter part of the year. Automobile production, for instance, is hardly likely to remain at current levels much longer. In fact, selling is already becoming more competitive, and the seasonal downturn in the third quarter of 1955 may be fairly substantial. This might well have a depressing effect upon other industries, even though the major indicators of aggregate economic activity should not be importantly affected. However, a development of this kind, largely seasonal in nature, is not by itself likely to initiate any pronounced decline in business, and a renewed upturn in passenger car production is in prospect in the final part of the year, when the 1956 models are to be introduced.

New housing starts, as already noted, also may be expected to back away from present high levels; they are currently running close to the 1½ million annual rate, but a guess for the year as a whole suggests a total around 1.2 or 1.3 million units, implying a fairly sizable reduction in the months ahead.

Many other segments of the economy, on the other hand, are still in the expanding stage: total consumer spending, business investment in inventories and in plant and equipment, nonresidential construction and State and local outlays are all moving upward. Consequently, it seems reasonable to guess that the rise in economic activity may slacken in the next few months, but that the final quarter of 1955 may show renewed expansion. Taking all these probabilities into account, a reasonable estimate for the 1955 gross national product might be around $375 billion, which would be some 3% higher than the $365 billion achieved in the previous peak year 1953, and about 5% above 1954. New records are to be expected in many other economic statistics, including industrial production, construction activity, retail sales, State and local expenditures, and average hourly and weekly earnings.

These prospects for economic expansion suggest continuing upward pressure upon interest rates. The economy will continue to require large amounts of investment funds and bank credit, and the banking system will face the need for substantial additions to reserves in the remainder of the year. The Federal Reserve may be expected to continue its policy of furnishing the reserves needed to support the growing needs of an expanding economy, and presumably sizable funds will be made available through open-market operations. However, the monetary authorities have demonstrated their readiness to exercise some credit restraint in the rising phase of the business cycle, and thus reserves are likely to be supplied more charily and less freely, at least as long as no turnabout in business appears in sight.

Record or near-record levels are in sight also for business profits. Assuming no substantial interruption of output as the result of strikes, corporate profits before taxes may exceed the $40 billion mark, compared with a $41.2 billion peak in 1951 and $35.0 billion in 1954. About one-half of the estimated amount will of course be absorbed by tax liabilities, so that if these guesses are reasonable, corporate profits after taxes may be 15% or more above 1954. Dividend payments have been in a rising trend for many years and a new peak in the neighborhood of $11 billion appears likely.

Beyond the Year's End—There are a number of favorable aspects in the business picture which suggest that the underlying strength of the economy may persist into 1956. Public construction is likely to continue in a rising trend for several years to come, especially as the large new school and highway programs are still to be carried out. Business spending on plant and equipment, if current surveys are meaningful, will be moving upward; consumer spending is likely to be bolstered by another income tax reduction early in 1956.

Residential building activity next year may be somewhat below present rates; vacancies are rising in some areas, and the current tightening of credit terms will probably show some delayed effects. However, the boom in home building appears to have sufficient momentum to carry over into next year, so that 1956 is likely to be a good residential building year, although probably not as good as 1955. Automobile production also may be giving rise to some question in view of the rapid pace of production and sales at the present time, the accompanying swift growth of instalment debt, and the prospect that 1956 model changes will not be as sweeping as those for the current year.

These prospects suggest a slowing down in the rate of the business expansion but they do not by themselves raise the likelihood of a downturn in the visible future. It is not unreasonable to guess not only that business activity will be brisk but also that the outlook will remain bright, business sentiment continue strong in the months ahead, and that the economy will enter 1956 at a high level of operations.

Questions for the Future

While it is certainly worthwhile and perhaps even profitable to venture some guesses as to the business outlook, it is essential to keep in mind some of the very real uncertainties in the current situation. If business forecasting were simply a matter of making projections and estimates on the basis of known conditions and trends, the task of the financial analyst, as of the economist, would be less hazardous, but of course also much less challenging and exciting. Our economic environment contains a host of controversial questions which are likely to become progressively more important as the advance in business continues. By remaining aware of these imponderables and prepared to meet the problems they may bring, we may hope to succeed in sidestepping at least some of the pitfalls of an expansive economic climate and improve our chances of achieving stable and solid growth over the years.

International Situation — Over the years, the business and financial forecaster has learned to accept the vagaries of international affairs as a chronic professional hazard. Predictions in this field are peculiarly unrewarding, since for most of us they cannot be based on any but the flimsiest surmises. The only feasible course, therefore, is constantly to keep in mind the possible economic consequences of sudden changes in world conditions.

Without venturing any prediction, it is of interest to note that in some respects, the present environment bears a disturbing similarity to that which existed almost exactly five years ago. In the spring of 1950, as today, the economy was recovering from an adjustment and was operating close to capacity, and industrial prices were firming. Should the always latent possibility of outright hostilities materialize, as it did in 1950, the impact upon the economy might resemble that of the outbreak of war in Korea. It would almost certainly raise the prospect of a wave of forward buying by businessmen, and perhaps by consumers as well, of increased military procurement, and of further upward pressures upon production, wages, costs and prices.

Such a trend of events, furthermore, may be expected to release large additional demands for short-term credit, as in 1950. Credit policy under such conditions, however, would probably be applied in a much more restrictive fashion than in 1950, when the Federal Reserve had not yet developed a flexible policy and long-term Governments were still pegged to the 2½% level. The repercussions in bond and money markets, therefore, might be more substantial than was the case five years ago.

Personal Debt — Another uncertainty in the economic outlook is posed by the large and rapidly rising levels of individual debt, especially instalment and home mortgage debt. Both have increased rather steadily in the postwar years, are at record heights, and are growing very rapidly. Instalment debt, now above $23 billion, has been rising in recent months at an annual rate of perhaps 20% or more. Residential mortgage debt, currently estimated at about $80 billion, increased by 14% in 1954 and even greater expansion is in prospect for the current year. These increases in debt have contributed importantly to high levels of activity especially in residential building, automobiles and consumer durable goods.

Both classes of indebtedness have been rising at a much faster rate than personal income. A crucial question in the appraisal of the business outlook is how long this disparity in rates of growth will continue. There is little evidence as yet of any reluctance of individuals to increase their indebtedness. Also, lending terms in both fields have been liberalized during the past year. However, the general tightening of the credit markets in recent months may exercise some restraint upon the availability of funds. For the near term, therefore, credit conditions may be less favorable to the expansion of debt on progressively more liberal lending terms.

The long-range question, of course, is still with us. The ratio of personal debt to personal income will certainly rise again this year, and conceivably also next year. Obviously, this trend cannot persist indefinitely, but as long as business remains good we cannot determine at what level the situation may be growing precarious or unwholesome. In any event, if the maintenance of a high level of consumer spending requires an expansion of personal indebtedness substantially more rapid than a gradual rise in personal incomes, this certainly poses some real questions for the future stability of our economy.

The Stock Market — Although the stock market for several decades has not been a major determinant of economic conditions, it may be remembered that volatile movements of stock prices have upon occasion contributed to economic instability. It is not necessary to remind this audience that we are in an extended bull market; the prices of common stocks have risen by more than 150% from their lows in 1949 and by more than 60% in the past 20 months. Much of this rise reflects solid investment demand, the continuing expansion of the American economy, and expanded corporate earning power. The recent rise in stock prices also reflects a more optimistic appraisal of corporate earning power and corporate dividends.

However, there is always some risk that in a favorable economic climate, these appraisals may be carried to excess, especially if investment demand is augmented by speculative buying, financed perhaps with the help of short-term credit. In fact, sharp and sustained rises in stock prices may encourage speculation of a type that would make these prices increasingly vulnerable to changes in public sentiment. Not every year will bring new records for gross national product and for corporate profits, and at some future date business prospects may be viewed more soberly and perhaps more somberly than today. In such an event, a pronounced readjustment of stock prices in the wake of earlier unduly optimistic valuations could well contribute significantly to business uncertainty.

Averting Business Extremes

These questions and conjectures are assuredly not intended to imply that our economy is on the threshold of a perilous boom or that wide fluctuations in business activity are inevitable. The purpose is simply to emphasize that if we are to maintain economic growth in a generally stable environment, we must be careful to avoid excessive optimism or pessimism in alternating phases of the business cycle.

Role of Business Caution — The record of business in avoiding precipitous declines since the end of World War II is admittedly reassuring. In the early postwar years, economic growth was supported by the huge deferred demands for consumer and capital goods. Furthermore, sustained strength in investment spending enabled the economy to withstand fairly well the pressures of moderate inventory liquidation in 1948-49 and 1953-54, as well as the recent cutbacks in Treasury spending. As a result, both postwar business downturns have been relatively mild and brief. But this does not necessarily mean that the business cycle has now been conquered. It may be pointed out in passing, and without in any way drawing broader analogies, that the business declines of 1923-24 and 1927 were likewise quite moderate.

Contributing importantly to stability in the postwar years has been the general spirit of caution which prevailed in the business and financial community. Mindful of economic developments fol-

lowing World War I, businessmen largely refrained from speculative inventory accumulation. Also, the use of short-term credit for speculative purposes in general was abstemiously avoided. Even in the inflationary upsurge that followed the outbreak of the Korean War in 1950, inventory speculation was limited and short-lived. This spirit of caution and restraint has undoubtedly helped avoid those spirals of credit liquidation which have so often compounded the problems of business adjustments.

Today, one may ask whether this healthy and tenacious spirit of caution is not being replaced by widespread belief in a dynamic economy rendered depression-proof by the continuous growth of population, by rising output and incomes, and by the fruits of technology and research.

We should certainly not minimize the very real and tangible evidence of growth opportunities inherent in the many new and exciting developments around us. We should also bear in mind, however, that this is not a novel experience. Our economy has been stimulated by dynamic forces for a century and more, but growth has not always been rapid or continuous, and business has not been immune from sizable cyclical fluctuations. Should we come to subscribe to the notion that our economy is irrevocably embarked on a one-way street, we shall be helping to stimulate the very excesses of planning, spending and investing which would jeopardize most seriously our hitherto successful postwar record of relatively small and innocuous business fluctuations.

Working Toward Stable Growth

—While the present high degree of business and investment confidence is heartening, the inclination to assume that we have embarked upon a "new era" of expansion might not only accentuate current problems in an economy approaching capacity operations, but might also hasten and magnify a business correction. At this time, our responsibility should be to guard against those unrealistic extremes of optimism which serve only to lay the ground for later sharp declines in production and employment.

An important contribution toward reducing swings in business activity can be made in the ascending phase of the cycle by wise business inventory policies. Excessive inventory building, followed by liquidation, is widely recognized as a major cause of short-run economic instability. Business today thus faces the task of following a policy of orderly accumulation, geared to current and reasonably predictable sales trends, and refraining from speculative stockpiling in anticipation of possible price increases or shortages.

A prerequisite to sound economic expansion is a high and rising level of business spending on plant and equipment. Here again, the problem is to avoid broad swings which would jeopardize the stability of output and employment. The problem for business management is to shape and follow soundly conceived long-range investment programs which can be maintained at a steady rate, thus minimizing the acceleration of investment in periods of rising activity and avoiding sharp cutbacks when business sags.

The responsibility of bankers in a business upturn is to guard against so liberal an expansion of short-term credit as to contribute to speculative and inflationary pressures. Greater caution in lending policies would not be amiss at the present time, which means that special care should be taken to avoid a downgrading of lending standards. Banking and finance today can contribute importantly to sustained economic growth by distinguishing carefully between borrowing demands which represent the proper financing needs of expanding business and those which may be prompted largely by speculative enthusiasm.

The common objective of business, labor, finance and Government is to attain a steady growth in the American economy, with business fluctuations in both directions held to a minimum. In a decline, the task is to avoid a spiralling of contraction. Today, with most indicators pointing upward, and business confidence growing rapidly, it is no less essential to shun excesses on the side of expansion. Only if the seductive pitfalls of "boomitis" are avoided can we look forward to healthy economic growth over the years.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

On May 9 **The First National City Bank of New York** opened the modern new home of its Clinton Avenue Branch, corner Clinton and Myrtle Avenues, **Brooklyn, N. Y.** For many years the Branch, known as the **Wallabout Branch**, was located just across Myrtle Avenue from the new location, the last unit in the Clinton Hills Development, erected by Equitable Life Assurance Society. There will be entrances at 439 Myrtle Avenue and 163 Clinton Avenue. John J. Flavin is the Branch Manager.

* * *

The appointment of William P. Burri, Richard J. Delaney, John F. Murphy, Emil C. Wahl and John C. Wedekind as Assistant Secretaries of **Manufacturers Trust Company of New York** was announced on May 11 by Horace C. Flanigan, President. Mr Burri joined the bank in 1938 and is assigned to the Branch Administration Department! Mr. Delaney has been with the Trust Company since 1941. He is assigned to the Foreign Department; Mr. Murphy joined the bank in 1936 and is assigned to the Branch Administration Department; Mr. Wahl came to the company in 1934 and is assigned to the General Service Department; in 1923 Mr. Wedekind joined the State Bank and Trust Company which merged with Manufacturers Trust in 1929. He is assigned to the Branch Administration Department.

The appointment of Walter W. Ross as a Vice-President of **Manufacturers Trust Company** was also announced on May 12 by Mr. Flanigan.

Mr. Ross joined the bank in 1939 and is assigned to the Security Analysis Department. He was appointed an Assistant Vice-President in 1949.

* * *

The Chase Manhattan Bank of New York has let a contract for razing the old buildings formerly used as headquarters by the Mutual Life Insurance Co., and now owned by the bank, in the blocks bounded by Nassau, Liberty, William and Cedar Streets in downtown New York. The demolition job will probably be started within a few weeks. Officials of Chase Manhattan stated that no definite plans for a new head office building on that site have been decided upon although this location, along with others, is under consideration for that purpose.

* * *

Arthur M. Forsythe has been elected an Assistant Secretary of **Union Dime Savings Bank of New York**, it was announced on May 5 by J. Wilbur Lewis, President of the bank. Mr. Forsythe, Supervisor at the Murray Hill office of the bank since it opened in May 1954, joined the Union Dime as a Clerk in 1925.

* * *

Willard Winton King, a former New York banker, died on May 1 at Colorado Springs, Colo., while on a visit to his daughter. Mr. King, who was 86 years of age, was born in Brooklyn, N. Y., and for over 50 years made his home in Convent, N. J. Following his graduation from Columbia University in 1889, he began his career as a banker starting as a Messenger with the **Produce Exchange Bank in New York.** According to advices May 3 from Convent to the Newark "Evening News" by a staff correspondent, six months later Mr. King joined the **Continental Trust Co. of New York** as a messenger, becoming Vice-President of the institution in 1901 after serving as Secretary. From the same advices to the Newark "Evening News" we also quote:

"Mr. King stayed with Continental until 1908, four years after the bank was merged with the **New York Security & Trust Co.**, later the **New York Trust Co.**, when he resigned to become President of the **Columbia Trust Co.**, now the **Irving Trust Co.** He was named Chairman of the Advisory Board in 1923. He retired in 1928.

"His expertness in financed led, after the panic of 1907, to his appointment by Charles Evans Hughes, then Governor of New York, to a commission to investigate securities dealings.

"Mr. King served as director of a number of New York financial, theatrical and traction companies, including the New York Life Insurance Co., etc."

* * *

James T. Lee, President of **Central Savings Bank, New York,** following a meeting of the Board of Trustees on May 9, announced the election of James Bloor as Executive Vice-President of the Bank. Mr. Bloor, a Vice-President of **Chase Manhattan Bank,** will assume his new duties on June 1 next.

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August W. Junger, Assistant Cashier of **The Lincoln Savings Bank of Brooklyn, N. Y.** and Assistant Manager of the bank's Brighton Beach office was presented with a gold watch at a luncheon held at the bank on May 10, in recognition of Mr. Junger's 25 years of service with the bank. Frederick Seifering, President of The Lincoln's Twenty-Five Year Club, acted as toastmaster at the luncheon which was attended by John W. Hooper, President of The Lincoln, and a number of senior officers and trustees of the bank. Mr. Hooper made the presentation to Mr. Junger. The Club has 55 members, 18 of whom are retired.

* * *

The directors of the **First National Bank of Falconer, at Falconer, N. Y.** have voted favorably on a proposal that **Marine Midland Corporation of Buffalo** acquire its capital stock on the basis of 30 shares of Marine Midland common stock for each share of First National. This, it is stated, represents a total of 45,000 shares of Marine Midland common. The announcement was made jointly on May 7 by Charles H. Diefendorf, Chairman of the Board of Marine Midland Corporation and C. Elmer Olson, President of the First National Bank of Falconer. Approval by the regulatory banking authorities and by the stockholders of the First National Bank is required. The First National Bank was established in 1900 and its total assets on April 11, 1955 amounted to $9,610,000 and deposits were approximately $9,000,000 on that date.

Mr. Diefendorf announced it is expected that if the acquisition is completed the First National Bank would be merged with the **Chautauqua National Bank & Trust Company of Jamestown, N. Y.**, a Marine Midland bank, and become the Falconer office of that bank. Such merger, it is announced, would result in a bank with total assets in excess of $47,000,000 and total deposits in excess of $42,000,000. Upon consummation C. Elmer Olson will become a director and Vice-President of the Chautauqua National Bank & Trust Company. An active advisory board for the Falconer office will be constituted from the present board of directors, with Bert L. Hough as Chairman. Melvin Olson will become a Vice-President of the merged bank and Thomas H. Neathery an Assistant Vice-President. Other officers of the Falconer bank will continue as officers of the merged bank. No changes in personnel are contemplated.

* * *

The New York State Banking Department approved on May 4 a certificate of increase of the capital stock of the **Ramapo Trust Co. of Spring Valley, N. Y.** from $200,000, consisting of 8,000 shares, par $25 per share, to $300,000 of 12,000 shares, par $25.

* * *

Effective March 8 the **First National Bank of Spring Valley, N. Y.**, reported a capital of $300,000, the amount having been increased from $250,000 through the sale of $50,000 of new stock.

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The issuance of new stock to the amount of $125,000 has resulted in increasing the capital of the **Farmers National Bank of Bucks County, Bristol, Pa.**, effective Feb. 16, from $500,000 to $625,000.

* * *

Following meetings of their respective Boards of Directors, the **Fidelity-Philadelphia Trust Company, Philadelphia, Pa.** and **The National Bank of Lansdowne, Pa.** announced plans to merge the two institutions. The merger is subject to the approval of stockholders and government supervisory authorities.

In a joint statement, Howard C. Petersen, Fidelity President and William A. Sullivan, President of the Lansdowne Bank announced that the merged banks will bear the name of Fidelity-Philadelphia Trust Company. The plan provides that shareholders of the National Bank of Lansdowne receive three shares of the merged bank for each share now held. Fidelity stockholders will retain their present stock without change.

It was also pointed out that upon completion of the merger Mr. Sullivan will become a Vice-President of Fidelity and Mr. Wilmer G. Dare will become an Assistant Treasurer. All personnel at Lansdowne will be retained.

* * *

Under the charter and title of the **Fulton National Bank of Lancaster, Pa.**, a consolidation was effected as of March 24 of the **Fulton National Bank** and the **East Petersburg State Bank, of East Petersburg, Pa.** The latter had a capital of $75,000, while the capital of the Fulton National was $900,000. At the date of the consolidation the enlarged bank had a capital stock of $980,000, in 49,000 shares of common stock, par $20 each; surplus of $1,100,000 and undivided profits of not less than $900,000.

* * *

Effective April 14 the capital of the **Merchants National Bank of Quakertown, Pa.** was increased to $235,000, from $155,000, by the sale of new stock to the amount of $77,500.

* * *

The newly enlarged capital of the **Central National Bank of Cleveland** became effective as of Feb. 21, when it was increased to $14,000,000 from $11,250,000 by the sale of $2,750,000 of new stock. References to the plans relative to increasing the capital appeared in these columns Feb. 10, page 729, and Feb. 24, page 936.

* * *

The consolidation was effected as of April 23 of the **Prospect-Citizens Bank of Prospect, Ohio,** (capital $100,000) with the **National City Bank of Marion, Ohio,** (capital $500,000) under the charter and title of the latter. As of the date of the consolidation the capital of the National City Bank of Marion is announced as $700,000, in shares of 35,000 of common stock, par $20 each, surplus of $700,000 and undivided profits of not less than $350,000.

* * *

The Inter-State National Bank of Kansas City, Mo., (capital of $2,000,000) was merged as of April 29 with the **First National Bank of Kansas City, Mo.** (capital $3,000,000) under the charter and title of the latter. At the effective date of merger, the enlarged First National Bank had a capital stock of $4,250,000, divided into 170,000 shares of common stock of par value of $25 each; surplus of $11,750,000; and undivided profits of not less than $2,760,000.

* * *

The **Guilford National Bank of Greensboro, N. C.,** enlarged its capital as of March 2 from $300,000 to $500,000, by the sale of $100,000 of new stock, and a stock dividend of $100,000.

* * *

An increase in the capital of the **National Bank of Lumberton, N. C.,** occurred on April 18, when it was raised from $100,000 to $200,000 by a stock dividend of $100,000.

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The First Atlantic National Bank of Daytona Beach, Fla., reported a capital of $400,000 as of March 7, the amount having been increased from $200,000 by a stock dividend of the latter amount.

* * *

The First Bank of Biloxi, at Biloxi, Miss., has been converted, as of May 2, into the **First National Bank of Biloxi,** with a capital of $150,000 ($100,000 common and $50,000 preferred) and surplus of $456,382. E. G. Tonsmeire continues as President. B. F. Wimberly is Cashier.

* * *

W. F. Morrish, who in 1932 succeeded the late A. P. Giannini as President of the **Bank of America of San Francisco,** died in that city on April 26. The resignation of Mr. Morrish as President of the Bank of America occurred in 1934, at which time he became President of the Meadow Valley Lumber Co. Earlier, in 1922, Mr. Morrish organized and became the first President of the **Berkeley Commercial and Savings Bank,** which according to special advices to the New York "Times" from San Francisco April 26 became a part of the Bank of America system in 1929 and Mr. Morrish was made Vice-President in charge of 90 Northern California branch banks. In 1930 he was chosen Senior Vice-President of the Bank of America. In the same advices it is noted that he was President of the California Bankers Association in 1929, and a member of the Executive Council of the American Bankers Association.

* * *

By a stock dividend of $300,000 the capital of the **First National Bank of Greeley, Colo.,** was increased from $300,000 to $600,000 as of March 23.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

When, as a result of the mortality among the banks, Federal Deposit Insurance Corporation was set up by the Congress, that body decreed an assessment charge against the banks of one-twelfth of 1% of deposits. There was objection on the part of the banks to the inclusion in assessable deposits of Federal Government deposits as these are backed by the receiving bank by government bonds. As a safety measure FDIC was permitted to draw on the Treasury to the extent of an additional $3,000,000,000 if the need for additional funds became great enough in any future banking crisis. Any such precautions have been unnecessary as the deposit insurance plan has been highly successful, of course, at the expense of the banks.

The corporation started business in late 1934 with as an objective a reserve fund of $1 billion. In 1948 the fund crossed $1.2, and the corporation's 1953 annual report showed it to be nearly $1.5 billion. The losses have been relatively minute. Since organization 422 banks have been taken over, and of these 245 went into receivership, while 117 were merged into other banks. FDIC in this period has disbursed approximately $280,000,000 for the protection of depositors, but liquidation of the closed banks' assets resulted in a recovery of about 89% of this amount (exclusive of expenses), so that the net loss was roughly $31,000,000, about 18/100ths of 1% of the reserve fund at the end of 1953. Data for 1954 has not yet been published.

In 1950, after considerable pressure from the banks because the reserve fund had grown beyond the original objective, the Congress changed the assessment basis. The one-twelfth of 1% was left in force, but credits are now allowed against it. Approximately 40% of the assessment in a given year is credited to the reserve fund. Of the remaining roughly 60%, expenses and deposit losses are deducted and the remainder is credited against the banks' following year's assessments. In recent years this has resulted in a cost to the banks of less than half of the assessment. In 1953 the total assessment was $138,373,000. Interest from holdings of government obligations was $33,937,000; other income, $390,000. Of this total of $172,700,000 income, operating expenses absorbed $7,271,000 and items involving insurance losses, $313,000. Of the $138,373,000 in assessments, $78,475,000 was credited to the insured banks on their 1954 assessments, and approximately $59,898,000 coming out of the assessment went into the reserve fund.

Of course, one of the more important factors making for low insurance losses has been the system of examinations. State chartered member banks that do not have membership in the Federal Reserve System are examined regularly by FDIC. The member banks with state charters take care of that group; and examinations by the office of the Comptroller of Currency cover the national banks, so that in one agency or another the insured banks are duly covered by examiners with regularity.

The amount of coverage on any one account was increased to $10,000 maximum. This tended to favor the so-called country banks as it brings in more deposits now that the limit has been raised to $10,000. A business such as a chain store, under the old limitation of $5,000, might not have cared to carry more than that amount in a small town in which it was doing business; but will carry a larger balance under the higher coverage figure.

Assessments of the leading New York City banks, net, in 1954 totaled the imposing sum of $7,783,000. This is considerably less than would be the case if the 1950 legislation had not reduced the net figure, in effect, by 50% or more. In setting up the following tabulation covering 13 New York City banks for 1954, it is assumed that the recent mergers were in effect at that time (Manhattan-Chase; National City-First National; Bankers-Public). Also, adjustments have been made to give effect to splits and stock dividends.

Federal Deposit Insurance Corp.
Net Assessments, 1954

	Total	Per Share	% of 1954 Earnings
Bankers Trust	$703,000	$0.22	4.8%
Bank of New York	105,000	0.56	4.0
Chase Manhattan	1,718,557	0.14	4.4
Chemical Corn Exchange	683,263	0.13	3.7
Empire Trust	44,517	0.45	3.7
First National City	1,690,418	0.17	4.1
Guaranty Trust	750,000	0.15	3.5
Hanover Bank	513,000	0.15	5.0
Irving Trust	377,074	0.07	3.9
Manufacturers Trust	758,240	0.30	5.1
J. P. Morgan & Co.	202,740	0.67	4.2
New York Trust	188,880	0.16	3.4
United States Trust	48,800	0.49	2.2

It seems to this writer that with a reserve fund of over $1,500,000,000 at the end of 1954; and with income from investments running at a rate of three or four times the corporation's expenses and average net losses for the past several years, the assessment ought to be waived altogether, with the provision that in the event of greater losses in some future bank crisis, they be resumed. As things stand at this juncture, not only are the expenses of operation several times covered by the corporation's investment income, but losses are, too. In other words, the corporation is able to go it alone without assessments.

With Cunningham Cleland

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Hance H. Cleland, Jr. and Harold M. Long have become affiliated with Cunningham-Cleland Company, Orpheum Theatre Building.

Joins Davis, Skaggs Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Richard C. Noel, Jr., has been added to the staff of Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A very tight money market was given a minor amount of help by the Federal Reserve Banks in order to make more digestible the recent offering of securities by the Treasury. Allotments of subscriptions in excess of $100,000, which were made in full, were 62%, a figure that has brought about a fair amount of discussion as to the kind of reception that was given to the new money offering of the 15-month 2% note. It is evident that when there is a bear market in Treasury obligations, as there is now, there is not going to be very much enthusiam around for the issues which are being offered.

The near-term government securities are still the important one, since these are the only issues in which there is a sizable, two-way market. No change in looked for in the present pattern of demand until the money tightening operation of the authorities comes to an end. Reportedly, purchases for Treasury trust accounts of the more distant maturities gave some of these obligations a better market tone.

Too Early to Assess Results

The money market is in the process of absorbing the recently offered 15-month 2% note which was floated to take care of maturing certificates and for new money raising purposes. There is still considerable discussion among money market specialists as to whether the new obligations was well received, and whether there should not have been a different maturity or another coupon rate. However, it seems as though the market reaction to the new issue indicates it will take a bit of time before it will be fully digested.

On the other hand, when the money market is on the defensive, as it is now, there is not too much which is attractive to prospective buyers of government obligations. Part of this is because it is possible to do better by putting money to work outside the Treasury market.

It was announced that for the cash part of the offering, allotments (above $100,000) were 62%, which was considered to be satisfactory as far as the Treasury was concerned. It must, however, be admitted that the high percentage of allotments indicates that the 2% issue was not as heavily overscribed as previous cash offerings. The condition of the money market and the lack of speculative appeal were given as the reasons for what has been labeled in some quarters as a "cool or unenthusiastic reception."

Liquidity Demand Continues

The short-term money market is still getting plenty of attention in spite of the recent financing by the Treasury. The demand for liquidity is still very great, and the higher rate of return which is available in these securities because of the tight money conditions is bringing some of the more cautious buyers into these issues. It is also reported that a not unimportant amount of funds which ordinarily would be going into stocks have been put to work in the shortest maturities of government obligations.

The intermediate and longer term Treasury securities have received a bit more attention than has been the case in the recent past. It is reported that government trust accounts have been in the market as buyers of selected issues of the more distant maturities. This gives a semblance of support to a market which has been, and will most likely, continue to be on the defensive as long as the money tightening operation of the authorities is still being carried out.

From Governments Into Mortgages

Savings banks continue to sell modest amounts of the longer term government issues despite the losses which have to be taken in certain of these obligations. The funds are being put to work, mainly in mortgages. Even though there are indications of a minor slow down in the mortgage loaning business, there still appears to be no shortage yet of what is termed "desirable mortgages."

The smaller commercial banks, according to advices, have also been seller of certain long-term government obligations, with the proceeds being used principally for the financing of mortgages. There are likewise reports that these same institutions have in some cases shortened maturities, in order to improve their liquidity position.

State pension funds have again been making not too sizable commitments in the most distant Treasury obligations, with the tendency still to make these purchases when quotations have been on the heavy side. There have also been reports that some of the private pensions funds have been sellers of blocks of the 3¼% bonds, with indications this money is going largely into private placements.

Martin Singer Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Martin K. Singer is engaging in a securities business from offices in the Gas and Electric Building.

Joins Mickle Co.

HOUSTON, Texas — Mickle & Company, Electric Building, announce that Henry Clay Murphy has become associated with their firm.

Chas. Scranton Adds Two

NEW HAVEN, Conn. — Duncan L. Marshall and Joseph D. Raneri have become affiliated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Joins Laird, Bissell

NEW HAVEN, Conn.—Howard W. Thompson has been added to the staff of Laird, Bissell & Meeds, 44 Whitney Avenue.

R. C. Noel Director

Richard C. Noel

The election of Richard C. Noel as a director of Kin-Ark Oil Company of El Dorado, Ark., was announced by Curtis A. Kinard, President. Mr. Noel is a partner in Val Alstyne, Noel & Co., and a member of the Board of Governors of the American Stock Exchange.

With Federated Mgmt.

WETHERSFIELD, Conn.—Michael A. Rita has joined the staff of Federated Management Corporation, 63 Wells Road.

Fred D. Blake Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph A. Miller, Jr. has been added to the staff of Fred D. Blake & Co., 548 South Spring Street.

With Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Irven A. Rose is now connected with California Investors, 3924 Wilshire Boulevard.

Joins Dempsey Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Daniel B. B. Young is now associated with Dempsey-Tegeler & Co., 210 West Seventh Street.

With Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Paul V. Miller is now with Gross, Rogers & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange.

With Hess Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Russell F. Lahl has become connected with Hess Investment Company, 721 Maine Street.

Continued from page 4

The State of Trade and Industry

The previous weekly record was 2,324,000 tons in the week ended Mar. 29, 1953. The new weekly record for tonnage was established without a record in percentage of operations. The rate in the week ended May 8 was 93.5% of capacity. There were times when operations exceeded 100% of capacity. Today's record capacity makes it possible to set new tonnage records when operations are below that figure.

Record steel output in peacetime is giving rise to talk of further expansion in capacity. Present capacity might suffice for several years if the steel industry were not susceptible to wide swings in demand. Steel ingot production is 38% above what it was a year ago. Industry as a whole has not gone up that much. "Steel's" industrial production index is up only 25%. The Federal Reserve Board's latest industrial production index for March is up only 10% over March, 1954.

When production was going down a year ago, steel ingot output was off 25% compared with the comparable time of 1953, yet "Steel's" industrial production index was down only 14%, the FRB index, down 9%.

The high rates of operations in the steel, auto and construction industries, notes "Steel," have spread optimism and confidence throughout the economy and generated demand from other industries for steel.

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 96.7% of capacity for the week beginning May 9, 1955, equivalent to 2,334,000 tons of ingots and steel for castings as compared with 96.6% (revised) and 2,331,000 tons a week ago. The former tonnage will set a new record output.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 94.6% and production 2,284,000 tons. A year ago the actual weekly production was placed at 1,690,000 tons or 70.9%. 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 Declined Moderately Under That of The Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 7, 1955, was estimated at 9,586,000,000 kwh., according to the Edison Electric Institute.

This week's output decreased 113,000,000 kwh. below that of the previous week, when the actual output stood at 9,699,000,000 kwh.; it increased 1,148,000,000 kwh., or 13.6% above the comparable 1954 week and 1,689,000,000 kwh. over the like week in 1953.

Car Loadings Hampered by Labor Trouble Continued To Increase the Past Week

Loadings of revenue freight for the week ended April 30, 1955, despite a continuation of labor trouble on several railroads in the Southern District, increased 24,289 cars, or 3.4% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended April 30, 1955, totaled 730,137 cars, an increase of 82,212 cars, or 12.7% above the corresponding 1954 week, but a decrease of 51,362 cars, or 6.6% below the corresponding week in 1953.

U. S. and Canadian Automotive Output Tapered Off Following Record Production of Previous Week

The automobile industry for the latest week ended May 6, 1955, according to "Ward's Automotive Reports," assembled an estimated 179,365 cars, compared with 184,279 (revised) in the previous week. The past week's production total of cars and trucks amounted to 210,525 units, a decline below the preceding week's output of 6,104 units, or about 3% as most manufacturers took a breather following the record of 216,629 completions in the previous week, states "Ward's."

Last week's car output dipped below that of the previous week by 4,914 cars, while truck output showed a loss of 1,190 vehicles during the week. In the corresponding week last year 122,572 cars and 21,961 trucks were assembled.

Last week the agency reported there were 31,160 trucks made in the United States. This compared with 32,350 in the previous week and 21,961 a year ago.

Canadian output last week was placed at 10,975 cars and 2,856 trucks. In the previous week Dominion plants built 11,307 cars and 3.085 trucks, and for the comparable 1954 week 8,145 cars and 1,962 trucks.

Business Failures Registered Further Moderate Rise The Past Week

Commercial and industrial failures rose moderately to 237 in the week ended May 5 from 212 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in five weeks, casualties exceeded the 206 which occurred a year ago and the 165 in the comparable week of 1953. However, mortality remained 16% below the prewar toll of 281 in 1939.

Failures involving liabilities of $5,000 or more increased to 197 from 177 both in the previous week and in the similar week of last year. An upturn also raised the toll among small casualties, those with liabilities under $5,000, to 40 from 35 a week ago and 29 in the similar week of 1954. Liabilities in excess of $100,000 were incurred by 12 of the failing concerns as against 11 last week.

Wholesale Food Price Index Dropped to New Two-Year Low in Latest Week

Food prices in leading wholesale markets displayed further weakness last week although declines in individual commodities were small. The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell to $6.38 on May 3, from $6.42 a week previous, to mark a new low for over two years, or since April 21, 1953, when it also was $6.38. The current figure compares with $7.38 on the like date a year ago, or a drop of 13.6%.

Higher in wholesale cost the past week were barley, sugar, cottonseed oil and hogs. Lower were flour, wheat, corn, rye, oats, hams, lard, butter, milk, coffee, cocoa, eggs, steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Scores New Low For Year the Past Week

Continuing its easier trend, the Dun & Bradstreet daily wholesale commodity price index dipped last week to a new low for the year and the lowest since early last August. The index closed at 272.84 on May 3, as against 274.31 a week earlier and 273.93 on the like date a year ago.

Grain markets were less active with prices drifting toward lower levels as the apparent easing of the tension in the Far East tended to offset the bullish influence of further deterioration in the Winter wheat crop in the Southwest.

Also a bearish factor was the Department of Agriculture report showing stocks of wheat as of April 1 at 1,200,000,000 bushels, the largest on record, and about 85,000,000 more than a year ago.

Weakness in corn futures reflected active selling by long interests although the cash market displayed a rather steady tone. Primary market receipts of the yellow cereal were small and ample for trade rquirements. Stocks of corn on April 1 at 2,115,000,000 bushels, were also at an all-time high. Trading activity on the Chicago Board of Trade continued to fall off. Daily average purchases of grain and soybean futures totaled 37,200,000 bushels, against 43,200,000 the previous week and 63,400,000 a year ago.

Following early firmness, prices of hard wheat bakery flours turned downward as the cautious buying policies among bakers and jobbers continued in evidence.

Interest in other flours was also very limited with buyers holding aloof in the belief that prices will work lower as the new crop harvest approaches.

The coffee market continued to ease as demand slackened. The action taken by the Brazil Government last Thursday, terminating the coffee-support purchase program, was believed to be the forerunner of a revision in that country's foreign exchange rate program. Raw sugar prices recovered after touching a new 1955 low. Demand for lard was slow with prices slightly lower for the week. Hog prices dipped at the close after holding firm most of the week aided by higher wholesale pork prices and the second smallest weekly receipts in six months.

Cotton prices trended upward in late dealings and scored modest net gains for the week. Support was attributed to improved domestic price-fixing and expectations of some expansion in foreign fixations.

Earlier dullness reflected uncertainties over Washington developments regarding price supports and surplus disposal.

The mid-April parity price for the staple was reported at 35.22 cents a pound, down 12 points from a month previous. Entries of 1954-crop cotton into the CCC loan during the week ended April 22 amounted to 16,377 bales, while withdrawals totaled 6,139, leaving 1,832,123 bales still under loan.

Trade Volume Lifted Slightly the Past Week Under Impetus of Good Weather and Mother's Day Purchases

Several favorable influences contributed to an increase in retail trade in the period ended on Wednesday of last week. Successful end-of-April promotions, gift buying for Mother's Day and good shopping weather in most parts of the country lifted the dollar volume of sales slightly higher than in the preceding week and the corresponding period a year ago.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 2 to 6% above a year ago. Regional estimates varied from the corresponding 1954 levels by the following percentages: New England 0 to +4; East and Pacific Coast +1 to +5; South and Northwest +2 to +6; Midwest and Northwest +4 to +8.

Sales of warm-weather apparel increased noticeably. Reversing the trend of recent weeks, men's clothing sold well. A sharp rise occurred in purchases of wash-and-wear clothing and suits made of worsted and synthetic fibers. Women's sportswear, accessories and cotton dresses were much more popular, and children's clothes were in slightly greater demand.

Consumers showed increased interest in outdoor cooking equipment, hardware, paint and other decorating materials. May promotions of household linens boosted sales of these items moderately above last week's level, but the volume of trade was somewhat lower than a year ago.

The buying of washing machines, home freezers and air conditioners increased markedly. Both new and used automobiles were in steady demand.

Department store sales on a country wide basis as taken from the Federal Reserve Board's index for the week ended April 30, 1955, advanced 7% from the like period last year. In the preceding week April 23, 1955 a rise of 11% (corrected) was registered from that of the similar period of 1954, while for the four weeks ended April 30, 1955, an increase of 3% was recorded. For the period Jan. 1, 1955 to April 30, 1955, a gain of 6% was registered above that of 1954.

Retail trade volume in New York City the past week, aided by Mother's Day purchases, increased demand for warm-weather clothing and favorable shopping weather, were expected, according to trade observers, to lift sales about 5% over the like period a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 30, 1955, advanced 2% above that of the like period of last year. In the preceding week, April 23, 1955, an increase of 4% was recorded. For the four weeks ending April 30, 1955, a decrease of 4% occurred. For the period Jan. 1, 1955, to April 30, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

Florida Power Common Offering Underwritten

Florida Power Corp. is offering holders of its common stock rights to purchase 232,557 additional common shares, $7.50 par value, on the basis of one share for each ten shares held of record May 11, 1955. The subscription price is $43 per share and rights expire at 3:30 p.m. (EDT) on May 31, 1955.

An underwriting group headed jointly by Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane will purchase any unsubscribed shares.

Proceeds will be used to pay part of the 1955 construction program which is expected to cost $29,138,000, with major expenditures going for construction of new units at the Turner Plant and the Suwannee River plant.

The company supplies electric service to 174,000 customers in 248 communities wholly within the state of Florida. Electric operating revenues have increased from $21,178,000 in 1951 to $37,937,000 in 1954 and net income from $2,385,000 in 1951 to $5,159,000 in 1954.

Since the common stock was distributed publicly in 1945 quarterly dividends have been paid without interruption. The new common stock will be entitled to the quarterly dividend of 40 cents per share payable June 20, 1955 to stockholders of record June 10, 1955.

Chesapeake & Colorado Uranium Stk. Offered

Public offering of 1,000,000 shares of Chesapeake and Colorado Uranium Corp. common stock at $1 per share is being made by S. D. Fuller & Co.; Peter Morgan & Co.; and Vermilye Brothers.

The company was organized last September to explore and develop properties acquired from a predecessor company and other properties acquired since its incorporation in the Moab and Uravan Belt areas of the Colorado Plateau and in Utah. After clearance of titles and adequate surveys the company plans to explore and drill for uranium and fluorspar.

Out of the proceeds from this sale of common stock the company proposes to use approximately $400,000 for exploration purposes; $200,000 for excavation and mining and $50,000 for the purchase of additional equipment. The balance of proceeds will be used for management and overhead, payment of balances due on claims, working capital and other corporate purposes.

The company estimates the proceeds of this financing will be sufficient for an adequate exploration and development program.

Minerals Corp. Stock Offered at $1 a Share

Vickers Brothers, New York City, is offering 300,000 shares of common stock of Minerals Corp. of America at a price of $1 per share.

Of the proceeds of the offering, approximately $85,000 will be used for drilling and exploration and the remainder will be used to pay off certain obligations, to purchase additional claims and to add to general funds.

Minerals Corp. of America was incorporated in Delaware for the purpose of acquiring interests in certain properties and to engage in the acquisition, exploration, development, mining and milling of uranium and other ores.

Continued from first page

Utilities Return to Fund Favor

were unpopular. Although the textiles and tobaccos were also sold on balance, activity was extremely light. Experiences in the chemical and building issues appeared to duplicate that of the last part of 1954, with buyers and sellers fairly evenly matched.

Midst the generally higher market level and booming business background, the over-all picture of fund operations during the period under review shows little disposition to bearishness. True, renewed interest in the electric utilities might be interpreted to a certain extent as indicative of a more cautious approach toward investment of the equity section of portfolios. The trustees of the New England Fund, in fact, pointed out in their quarterly report to shareholders that "common stocks whose earnings and dividends tend to be relatively stable throughout the business cycle—i.e., utilities and banks—have . . . been increased." But such can hardly be said of the recent enthusiasm displayed for the oils, metals, rails and steels.

Over-all buying transactions decreased 10% during the first quarter of the year, but then selling fell off almost as much and perhaps some of this lessened activity might have been temporarily, at least, inspired by the initial stage of the Fulbright Committee hearings. The **number** of investment companies buying on balance during the recent March quarter was 60% greater than those purchasing during the previous three-month period — specifically 32 as against 20, representing half of the funds surveyed. Another possible indication of lack of caution is that only half as many open-end stock funds increased their liquid reserves of cash and governments during the current quarter as during the final three months of 1954.

Call to Caution

On the other hand, attention might be called to the words of caution expressed by the trustees of the George Putnam Fund, who, cut down the more volatile portion of their fund in the period under survey: "The matter of a 'reasonable living return' is very much on the minds of your Trustees these days. The yield on high grade bonds remains low and the current return on good quality common stocks is considerably lower than it was several years ago. Under these conditions there is a great temptation for the investor, as well as the investment manager, to lower quality in order to increase current income. We feel very strongly that this would be an unwise and dangerous policy, especially at this particular time. The advanced level of the market calls for **increased** caution and an **increased** emphasis upon quality—not the lowering of investment standards. If investment history proves anything it proves this point." It is of interest to note that Putnam has recently obtained authority from its shareholders to invest up to a maximum of 10% of its assets in top grade real estate through sale-leaseback arrangements. Actually, it expects to limit such investments to half of the authorized amount.

Possibly also indicating caution, or at least conservatism over the long-pull, is the drastic reduction of leverage in their capitalization being effected by U. S. and Foreign and U. S. and International Securities. These companies have called in or asked for tenders on their own preferred issues, while selling off certain portfolio holdings. U. S. and International is just completing the final stages of such transactions, and very shortly both units will have a single-deck capital structure. 27,000 shares out of the substantial bloc of Amerada owned by U. S. and International were disposed of in paying off its preferred.

In contrast to the above, of course, is the raising of recent new money by closed-end companies. The Lehman Corporation's acquisition of new capital during the period amounted to $18 million while National Shares offered $7 million of new shares. Presumably such funds are for investment in common stock.

A Comment on the Outlook

The quarterly reports for this particular period appear to be especially noteworthy for their rather extraordinary dearth of comment on the financial and economic outlook. Perhaps seeing so few unpleasant obstacles to clear sailing ahead "onward and upward," there is a fear of having missed something on the horizon. However, Francis F. Randolph, Chairman of the Seligman group of investment companies as usual can be counted on for interesting observations: "Business recovery noted in the annual report for 1954 has developed favorably with the rate of gain comparing closely with that after the recession of 1949. If past experience is an indication, good business should continue through the remainder of 1955. With production of automobiles and building construction at high levels there has been some question whether there might not be unsettling shrinkage in the over-all rate of business activity in the second half of the year. So far, there is nothing in the picture clearly pointing in that direction. Fluctuations have taken place in individual industries and have been absorbed into the total economy in the past and it would be premature to assume that this will not be the case this year."

Issues Off the Beaten Path

Among those making security additions off-the-beaten path, Arnold Bernhard can usually be depended upon with his selections for the Value Line Fund. This first quarter he introduces two—new to us, at any rate—Stubnitz Greene Spring Corporation and the Estey Organ Corporation. Other purchases of less widely held issues made during the first quarter included Jaeger Machine Co. by Commonwealth Investment; Dixie-Home Stores by George Putnam Fund of Boston; the Smith-Douglass Co. by Delaware Fund; DeBeers Consolidated Diamond Mines by Knickerbocker; Delhi-Taylor Oil Corp. by General American Investors; Lukens Steel by Axe-Houghton "A"; Central Public Utility Corp. by Axe-Houghton "A" and "B"; Theodore Gary participating by Shareholders Trust of Boston; Boston and Albany by Diversified Investment Fund; and Canadian Cement Co., Ltd. by deVegh Mutual Fund.

Oil Leaders Continue

The two leaders in the oil parade were the same issues which were the favorites in the closing months of 1954. Eight managements liked Socony Vacuum and Sinclair, purchasing a total of 47,900 of the former and 98,600 of the latter. Three initial commitments were made in Socony and two in Sinclair. Standard of New Jersey and Standard of California, each bought by seven funds, ranked next in the petroleum division. Purchases of Jersey totaled 23,900 shares and of California, 50,200. Five trusts made initial commitments in Royal Dutch Petroleum totaling 13,000 shares and the same number added 13,400 shares of Texas Co. Union Oil of California and Texas Pacific Coal and Oil were each liked by three managements, additions equaling 27,300 shares and 55,500 shares respectively.

Selling in the oils was concentrated on a half dozen companies. Totals of 16,500 shares of Continental Oil, 22,500 shares of Pure Oil and 14,956 shares of Gulf were disposed of by five managements. The last named petroleum company had distributed a 4% stock dividend late in 1954 and met with some liquidation at that time. The other three companies to bear the brunt of the selling, and each disposed of by four funds, were that fund favorite—Amerada—and also Ohio Oil and Richfield.

Selling of the natural gas issues was concentrated on United Gas, a total of 41,712 shares being eliminated from one portfolio and lightened in six others. Chicago Corporation also was sold on balance by four trusts, two entirely cleaning out their holdings. A total of 41,500 shares of Southern Production was disposed of by three managements while two sold National Fuel Gas. On the popular side, but not with too much conviction, were Tennessee Gas Transimission, Colorado Interstate Gas and International Utilities. Commonwealth Edison distributed a total of 35,700 shares of Northern Illinois Gas to four funds.

Interest in Power and Light Issues

In addition to New England Fund, mentioned previously, particular interest in the power and light issues was shown by the four funds in the Seligman group — Tri-Continental, Broad Street Investing Corp., National Investors and Whitehall Fund—as well as by the Axe Houghton Stock and "B" funds and the Johnston Mutual Fund. On the other hand, Selected American Shares sold the electric utilities. Easily the favorite in the group, aided by a special offering, was Florida Power and Light, eight managements buying a total of 44,400 shares, half of which made initial commitments. Central and Southwest along with American Telephone, top favorite in the previous December quarter, currently vied with each other for second place in popularity; five funds purchasing a total of both 16,200

shares of the former and 6,000 shares of Telephone. Also liked, each by three managements, were South Carolina Electric and Gas and Oklahoma Gas and Electric. Interest was stimulated, however, through rights offerings. A couple of trusts added shares of Houston Lighting and Power, Public Service of New Mexico, Texas Utilities and Toledo Edison.

Duquesne Light was the least popular issue in the electric utility division, a distinction which it had shared with Niagara Mohawk and Gulf States Utilities three months earlier. Four managements disposed of a total of 15,500 shares, one completely eliminating the issue from its holdings. Offsetting this in size was an initial commitment of 16,000 shares. It is interesting thus constantly to discover examples of investment company transactions in the same issue of the same approximate size on both sides of the market. As distinct from certain other types of institutional investors, this would seem to offer a serious challenge to the much advertised influence of investment companies as an adverse market factor. Columbus and Southern Ohio Electric and American Gas and Electric were each sold by three trusts and in the case of the latter, again, as with Duquesne, the size of a single offsetting purchase approximated the total 22,800 shares sold by three trusts. Other sales, each made by a couple of funds, were Cleveland Electric Illuminating, Kansas City Power and Light, Public Service Co. of Indiana and Western Union.

Featuring the non-ferrous metals division, was the buying of Aluminium, Ltd., the interest in which was stimulated through a rights offering. Apart from shares acquired through the primary allotment of rights, there were 11 purchases made during the period with total acquisitions approximating 24,000 shares. Other aluminum companies were not lacking in attention. Four managements bought 11,000 shares of Aluminum of America, three made initial commitments in Kaiser Aluminum and Chemical and two acquired 3,300 shares of Reynolds Metals. General American Investors made initial commitments in all four aluminum companies, but sold Kennecott. In general, however, the coppers were also well bought in the quarter under review. Anaconda was the favorite, seven managements acquiring a total of 21,800 shares, three making new commitments. Five trusts bought a total of 4,200 shares of Phelps Dodge and a similar number acquired 7,000 shares of Kennecott. However, there were three offsetting sales of the latter and only one of Phelps Dodge. Magma found its way into four portfolios

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Balance Between Cash and Investments of 64 Investment Companies

End of Quarterly Periods December, 1954, and March, 1955

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent —End of—		Investment Bonds and Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Dec.	March	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.
Open-End Balanced Funds:								
American Business Shares	6,887	7,033	20.6	21.2	23.3	22.2	56.1	56.6
Axe-Houghton Fund "A"	2,506	3,254	5.8	7.4	29.8	29.1	64.4	63.5
c Axe Houghton "B"	2,299	811	5.5	1.8	24.3	24.1	70.2	74.1
d Boston Fund	4,462	2,343	3.6	1.9	24.0	24.6	72.4	73.5
Commonwealth Investment	7,965	6,730	8.9	7.2	17.1	16.7	74.0	76.1
Diversified Investment Fund, Inc.	1,981	1,002	3.9	1.9	25.6	25.8	70.5	72.3
Dodge and Cox Fund	337	338	8.8	8.5	21.1	22.6	70.1	68.9
‡Dreyfus Fund	98	315	4.2	10.4	None	None	95.8	89.6
Eaton & Howard Balanced	9,230	8,367	6.2	5.7	27.5	26.0	66.3	68.3
Fully Administered Fund—Group Securities	1,115	898	14.8	12.1	9.9	9.9	75.3	78.0
General Investors Trust	294	206	9.8	6.9	11.2	11.2	79.0	81.9
Investors Mutual	24,817	29,207	3.4	3.8	28.8	27.1	67.8	69.1
Johnston Mutual Fund	304	229	8.7	6.2	21.2	25.6	70.1	68.2
National Securities—Income	1,153	2,076	2.4	4.2	13.2	13.8	84.4	82.0
Nation Wide Securities	3737	3,093	15.9	13.0	29.5	31.2	54.6	55.8
George Putnam Fund	3,044	2,167	3.0	2.1	23.2	25.4	73.8	72.5
Scudder, Stevens & Clark	1,253	1,420	2.5	2.8	37.4	36.3	60.1	60.9
Shareholders Trust of Boston	634	860	4.5	5.6	17.1	17.3	78.4	77.1
Stein Roe and Farnham Fund	2,208	2,778	20.6	23.0	26.0	26.5	53.4	50.5
Value Line Fund	2,036	1,632	20.8	15.1	None	7.2	79.2	77.7
Wellington Fund	35,734	42,385	8.9	10.1	23.6	21.8	67.5	68.1
White all Fund	70	175	1.2	3.0	38.6	39.9	60.2	57.1
Wisconsin Fund, Inc.	692	391	8.7	4.5	None	None	91.3	95.5
Open-End Stock Funds—								
Affiliated Fund	9,391	8,156	3.0	2.5	None	None	97.0	97.5
c Axe Houghton Stock Fund	121	292	1.9	4.6	23.6	21.0	74.5	74.4
Bowling Green Fund	41	13	6.2	2.0	13.3	15.3	80.5	82.7
Blue Ridge Mutual Fund	1,293	1,548	5.4	6.2	None	None	94.6	93.8
Broad Street Investing	1,992	1,113	3.1	1.6	8.0	8.8	88.9	89.6
Bullock Fund	2,987	3,152	13.5	6.1	0.1	None	86.4	93.9
Delaware Fund	341	438	1.4	1.6	4.3	4.7	94.0	93.7
de Vegh Mutual Fund	678	1,056	11.1	14.2	None	2.5	88.9	83.3
Dividend Shares	30,284	28,679	18.4	16.5	0.2	0.2	81.4	83.3
Eaton & Howard Stock	2,932	2,923	7.7	7.0	0.8	0.9	91.5	92.1
Fidelity Fund	4,755	3,862	2.9	2.2	0.3	0.1	96.8	97.7
Fundamental Investors	5,174	5,455	2.0	2.0	None	None	98.0	98.0
General Capital Corp.	4,097	3,663	22.4	19.5	None	None	77.6	80.5
Group Securities—Common Stock Fund	284	240	1.8	1.5	None	None	98.2	98.5
Incorporated Investors	6,436	3,739	3.3	1.8	None	None	96.7	98.2
Institutional Foundation Fund	175	166	3.9	3.5	12.7	9.9	83.4	86.6
Investment Co. of America	4,087	3,810	8.4	7.0	None	None	91.6	93.0
Knickerbocker Fund	748	1,235	4.7	8.3	3.4	5.2	91.9	86.5
Loomis-Sayles Mutual Fund	7,978	8,553	19.2	19.6	24.3	23.7	56.5	56.7
Mass. Investors Trust	5,882	13,292	0.7	1.6	None	None	99.3	98.4
Mass. Investors Growth Stock	1,843	742	2.9	1.1	None	None	97.1	98.9
Mutual Investment Fund	633	630	11.3	10.4	14.4	13.2	74.3	76.4
National Investors	652	650	1.4	1.3	None	None	98.6	98.7
National Securities—Stock	2,775	5,008	2.3	4.3	None	None	97.7	95.7
††New England Fund	841	652	7.7	5.7	29.2	32.1	63.1	62.2
Scudder, Stevens & Clark Common Stock Fund	299	170	3.6	1.9	None	None	96.4	98.1
Selected American Shares	5,931	3,934	15.0	9.6	None	None	85.0	90.4
Sovereign Investors	15	9	1.2	0.6	2.1	2.0	96.7	97.4
State St. Investment Corp.	24,967	23,902	17.1	15.8	None	None	82.9	84.2
Wall St. Investing Corp.	1,160	1,201	20.0	19.7	1.0	0.9	79.0	79.4
Closed-End Companies:								
Adams Express	4,105	3,464	6.0	4.9	0.4	0.5	93.6	94.6
American European Securities	118	413	0.8	3.0	5.1	5.4	94.1	91.6
American International	1,032	932	3.4	3.0	0.7	0.8	95.9	96.2
General American Investors	8,899	6,966	15.2	11.2	None	None	84.8	88.8
General Public Service	732	1,237	4.1	6.7	None	None	95.9	93.3
Lehman Corporation	12,822	23,145	6.7	10.6	0.4	None	92.9	89.4
National Shares Corp.	1,300	1,245	8.0	7.2	None	1.1	92.0	91.7
‡‡Overseas Securities	----	62	---	1.6	---	None	---	98.4
Tri-Continental Corp.	542	160	0.2	0.1	12.5	12.7	87.3	87.2
†U. S. & Foreign Securities	2,182	10,335	3.2	13.5	None	None	96.8	86.5
‡‡U. S. & International Securities	1,580	----	2.3	---	None	---	97.7	---

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Portfolio exclusive of securities in subsidiary or associated company. ‡Formerly Nesbett Fund; flexible fund with current stock policy. ††Flexible fund with current balanced policy. c December, 1954, figures corrected. d 1955 figures as of March 24. ‡‡Net cash deficit on date figures not given.

SUMMARY

Changes in Cash Position of 64 Investment Companies

	Plus	Minus	Unchanged	Total
Open-End Companies:				
Balanced Funds	9	12	2	23
Stock Funds	7	12	11	30
Closed-End Companies	5	5	1	11
Totals	21	29	14	64

Changes in Common Stock Holdings of 47 Investment Management Groups

(December 31, 1954 — March 31, 1955)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
None	*None*	*J. I. Case*	*8,100*	*2(1)*
1	*800*	*International Harvester*	*32,100*	*5(1)*
		Auto and Auto Parts		
5(2)	28,500	Chrysler	15,000	1(½)
2(2)	5,400	Eaton Manufacturing Co.	None	None
2	1,380	Ford Motor of Canada, Ltd.	None	None
2(1)	5,200	Fruehauf Trailer	None	None
29(8)	146,735	General Motors [2]	None	None
2(1)	4,000	Kelsey-Hayes Wheel	None	None
2	1,200	Timken Roller Bearing	None	None
1	*4,000* (new)	*Borg Warner* [1]	5,000 (new) / 2,500 (old)	2 / *1(1)*
None	*None*	*Clark Equipment*	*1,000*	*2(1)*
None	*None*	*Electric Auto-Lite*	*4,800*	*2(2)*
None	*None*	*Thompson Products*	*2,000*	*2*
		Aviation		
8(4)	94,800	American Airlines	34,000	3(1)
4(1)	30,300	Eastern Airlines	3,000	2(1)
5(3)	33,000	United Airlines	2,000	1
None	*None*	*Chance-Vought*	*4,600*	*3*
None	*None*	*Douglas Aircraft* [3]	*10,650*	*6*
None	*None*	*Grumman Aircraft*	*5,600*	*2(1)*
None	*None*	*Lockheed Aircraft*	*3,115*	*3(1)*
None	*None*	*Sperry Corp.* [4]	*7,645*	*4*
None	*None*	*United Aircraft*	*8,600*	*4*
		Beverages		
2(1)	2,200	Coca-Cola	None	None
None	*None*	*Pepsi-Cola*	*18,000*	*2(1)*
		Building Construction and Equipment		
2(2)	6,800	Bridgeport Brass	None	None
3(1)	7,300	Carrier Corp. [5]	1,000	1(1)
4(1)	10,913	National Gypsum	12,016	1(1)
6(3)	8,400	United States Gypsum	17,200	3
3(1)	5,800	United States Pipe & Foundry	None	None
None	*None*	*Dragon Cement*	*2,200*	*2*
None	*None*	*General Portland Cement* [6]	9,300 (new) / 200 (old)	3 / *1(1)*
		Chemicals		
2	400	American Agricultural Chem. [6a]	None	None
2(2)	20,449.875	Amer. Potash & Chem. "B" [6a]	None	None
3(2)	12,800	Koppers Co.	None	None
4(1)	4,400	Monsanto Chemical	2,000	2(1)
2	3,500	National Cylinder Gas	None	None
7	27,700	Union Carbide and Carbon	13,300	3(1)
None	*None*	*Olin Mathieson Chemical*	*42,800*	*5(4)*
1(1)	*1,000*	*Victor Chemical*	*25,500*	*3(2)*
		Containers and Glass		
6(4)	41,100	Corning Glass Works	750	1
3(2)	20,300	Thatcher Glass Mfg. Co.	None	None
1	*4,000*	*American Can*	*34,400*	*6(3)*
None	*None*	*Owens-Corning Fiberglas*	*12,000*	*2(2)*
		Drug Products		
3	13,700	Colgate-Palmolive	None	None
3(1)	5,000	McKesson and Robbins	None	None
4(2)	44,400	Merck and Co.	None	None
5(3)	36,900	Parke Davis and Co.	700	1
5(2)	25,400	Pfizer	13,000	3(1)
		Electrical Equipment		
3(1)	16,000	Motorola	13,000	1(1)
3(1)	13,400	Philco	100	1
2(2)	1,400	Philips Gloeilampenfabrieken	None	None
1(1)	*2,000*	*Columbia Broadcast'g "A" & "B"*	*6,580*	*3*
None	*None*	*Elliott Co.*	*15,200*	*2(½)*
None	*None*	*General Electric*	*98,700*	*8*
None	*None*	*Sylvania Electric*	*9,440*	*3(1)*
1	*500*	*Westinghouse Electric*	*32,500*	*5(1)*
		Financial, Banking and Insurance		
2	26,000	C. I. T. Financial	None	None
4(1)	15,500	Commercial Credit	800	1
3(1)	9,000	Fidelity-Phenix Fire Insurance	5,000	1
3	57,338	First Bank Stock Corp. [6b]	None	None
2	6,950	Hanover Bank, N. Y. [6]	None	None
2	3,625	Hartford Fire Insurance [7]	None	None
2	2,025	Industrial Acceptance Corp. [6a]	None	None
2(2)	6,500	Mass. Protective Association	None	None
2(1)	14,500	National Life and Accident	None	None
3	11,153	Northwest Bancorporation	None	None
None	*None*	*Hartford Steam Boiler Inspection and Insurance*	*4,800*	*2(1)*
1(1)	*250*	*Travelers Insurance*	*460*	*4*
		Food Products		
2(2)	6,300	Allied Mills	None	None
2	6,000	Gerber Products	None	None
4(3)	140,200	National Biscuit	5,000	1
2(1)	4,600	Sunshine Biscuit	None	None
None	*None*	*American Chicle*	*1,700*	*2(2)*
None	*None*	*International Packers*	*6,800*	*2(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Machinery and Industrial Equipment		
2(2)	2,700	Caterpillar Tractor	None	None
3	20,000	Food Machinery and Chemical	5,000	1
2	19,000	Halliburton Oil Well Cementing	None	None
3(1)	16,000	Ingersoll-Rand	None	None
3	4,000	Worthington Corp.	500	1
None	*None*	*Chicago Pneumatic Tool*	*5,005*	*2*
1	*500*	*Combustion Engineering*	*3,200*	*4*
		Metals and Mining		
16(1)	52,392	Aluminium, Ltd. [8]	None	None
4(2)	11,000	Aluminum Co. of America	None	None
7(3)	21,800	Anaconda Copper	None	None
3(3)	26,000	Kaiser Alminum and Chemical	None	None
5	7,000	Kennecott Copper	10,000	3(2)
4	5,800	Magma Copper	None	None
3(2)	5,000	Newmont Mining	None	None
5(1)	4,200	Phelps Dodge	1,000	1
2(1)	22,250	Pittston Company	None	None
3(1)	9,700	St. Joseph Lead	5,000	1(1)
None	*None*	*Climax Molybdenum*	*1,300*	*2*
None	*None*	*Eastern Gas and Fuel Assoc.*	*21,500*	*2*
None	*None*	*Pittsburgh Consolidation Coal*	*2,200*	*2(1)*
		Office Equipment		
4(3)	50,400	Burroughs Corporation	None	None
5(2)	3,850	Intern'l Business Machines	400	1
2(2)	27,000 (new)	National Cash Register [1]	None	None
		Paper, Pulp and Printing		
2	1,500	Container Corporation	None	None
4(1)	15,500	Crown Zellerbach	None	None
2	3,000	McGraw Publishing Co.	None	None
2(2)	1,200	Minnesota & Ontario Paper Co.	None	None
3(1)	32,800	Rayonier	4,300	1(½)
4(1)	6,100	Union Bag and Paper	2,300	1
2	7,400	West Virginia Pulp and Paper	None	None
		Petroleum		
2(1)	600	Plymouth Oil	None	None
5(5)	13,000	Royal Dutch Petroleum	1,000	1
8(2)	98,600	Sinclair Oil Corp.	1,000	1
8(3)	47,900	Socony Vacuum	200	1
2(2)	3,200	Southland Royalty Co.	None	None
7(3)	50,200	Standard Oil of California	7,000	2
2	7,700	Standard Oil Co. (of Kentucky)	None	None
7(3)	23,900	Standard Oil Co. (New Jersey)	100	1
5(2)	13,400	Texas Company	1,000	1(1)
3	55,500	Texas Pacific Coal and Oil	41,200	1
3(2)	27,300	Union Oil of California	1,000	1(1)
2(2)	57,000	Union Sulphur and Oil "A"	None	None
2	*4,000*	*Amerada Petroleum*	*28,400*	*4(1)*
None	*None*	*Barber Oil*	*34,200*	*2(1)*
1	*300*	*Continental Oil (Del.)*	*16,500*	*5(3)*
2	*1,000*	*Gulf Oil Corp.*	*14,956*	*5(1)*
1	*500*	*Ohio Oil*	*22,500*	*4(2)*
1(1)	*3,000*	*Pure Oil*	*22,500*	*5(2)*
2	*3,000*	*Richfield Oil*	*6,100*	*4(1)*
None	*None*	*Texas Gulf Producing*	*10,600*	*2(1)*
None	*None*	*TXL Oil Corp.*	*110,000*	*2(2)*
		Natural Gas		
2(1)	4,500	Colorado Interstate Gas	None	None
2	4,000	International Utilities Corp.	None	None
4(4)	35,700	Northern Illinois Gas [9]	21,100	2(1)
3(1)	38,850	Tennessee Gas Transmission	None	None
None	*None*	*Chicago Corporation*	*44,200*	*4(2)*
None	*None*	*National Fuel Gas*	*13,450*	*2(1)*
None	*None*	*Southern Production Co.*	*41,500*	*3(1)*
1	*6,000*	*United Gas Corporation*	*41,712*	*7(1)*
		Public Utilities		
5	6,000	American Tel. & Tel.	4,000	1
5(1)	16,200	Central and Southwest Corp.	1,500	1
8(4)	44,400	Florida Power and Light	400	1
4	7,105	Houston Lighting and Power [10]	None	None
3(1)	14,525	Oklahoma Gas and Electric [6b]	15,000	1(1)
2	24,990	Public Service of New Mexico	None	None
3	4,613	South Carolina Electric & Gas [6b]	5,200	1
2(1)	4,327	Texas Utilities	None	None
2(1)	23,500	Toledo Edison Co.	None	None
2(2)	11,600	Union Electric of Missouri [11]	None	None
1	*20,400*	*American Gas and Electric*	*22,800*	*3(2)*
None	*None*	*Cleveland Electric Illuminating*	*4,900*	*2(1)*
None	*None*	*Columbus & South. Ohio Elec.*	*37,200*	*3(2)*
1(1)	*16,000*	*Duquesne Light Co.*	*15,500*	*4(1)*
None	*None*	*Kansas City Power and Light*	*21,600*	*2(1)*
None	*None*	*Public Service Co. of Indiana*	*8,900*	*2*
None	*None*	*Western Union Telegraph Co.*	*4,500*	*2(1)*
		Radio and Amusement		
3	7,900	Paramount Pictures, Inc.	500	1

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Railroads		
4(2)	3,100	Atchison, Topeka & Santa Fe	200	1(1)
3(1)	20,900	Chesapeake and Ohio	20,000	1(1)
7(3)	17,300	Chicago, Rock Island & Pacific	10,500	2
2(2)	3,000	Great Northern Ry.	None	None
2(2)	2,000	Gulf, Mobile and Ohio	None	None
2	2,700	Kansas City Southern	None	None
3(3)	7,200	Northern Pacific	500	1
9(3)	23,200	Southern Pacific	5,500	5
4(2)	19,700	Southern Railway	1,000	1
3	6,400	Western Pacific	None	None
None	*None*	*Denver & Rio Grande Western*	*6,950*	*3(2)*
1(1)	*4,000*	*Pennsylvania Railroad*	*39,000*	*3(3)*
		Railroad Equipment		
2(1)	10,800	General Amer. Transportation	None	None
		Retail Trade		
2	5,000	Associated Dry Goods	None	None
2(1)	33,000	Winn and Lovett Grocery Co.	None	None
None	*None*	*Murphy (G. C.)*	*10,200*	*2(2)*
1(1)	*8,000*	*Safeway Stores*	*3,400*	*3(2)*
None	*None*	*Western Auto Supply* [12]	*20,600*	*2(1)*
		Rubber and Tires		
2	*6,500*(new)	*Goodrich* [6]	*13,100*(new)	*4*
		Steels		
4(1)	3,821	Harbsison Walker Refractories [13]	None	None
5(1)	50,700	National Steel	5,000	1
4	1,900	Republic Steel	3,200	2
4(3)	29,700	Youngstown Sheet and Tube	700	1
3(1)	*16,200*	*Armco Steel*	*11,800*	*6(2)*
None	*None*	*Jones and Laughlin*	*1,300*	*2*
		Textiles		
1	*2,000*	*American Viscose*	*31,700*	*4(1)*
1	*300*	*J. P. Stevens*	*16,900*	*3(2)*
None	*None*	*United Merchants & Manufact.*	*7,600*	*2*
		Tobaccos		
None	*None*	*American Tobacco*	*18,900*	*2(1)*
None	*None*	*Reynolds Tobacco "B"*	*23,000*	*2(1)*
		Miscellaneous		
2	1,500	Brown Shoe Company	None	None
2	14,900	General Shoe Corp.	None	None
None	*None*	*American Optical Company*	*3,200*	*2*
None	*None*	*Newport News Shipbuilding*	*7,600*	*3*

FOOTNOTES

1 Excludes shares received in 3 for 1 split-up.
2 29,240 shares purchased with original rights. Basis: 1 for 20.
3 Excludes additions received in 3 for 2 split-up.
4 Excludes stock received as 5% dividend.
5 Shares received in exchange for Affiliated Gas Equipment not included.
6 Excludes new stock resulting from 2 for 1 split-up.
6a Converted from preferred.
6b Part purchased through rights.
7 Part represents stock dividend.
8 28,142 shares purchase through original rights offering. Basis: 1 for 10.
9 Shares received as spin-off from Commonwealth Edison.
10 2,530 shares received as 5% stock distribution.
11 Excludes stock received on liquidation of North American.
12 2 for 1 split-up not reflected in share additions.
13 Additions resulting from 3% distribution eliminated.

NOTE—This survey covers 64 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the three surveyed companies sponsored by E. W. Axe and Company are considered as having the weight of one manager. Individual portfolio changes in the Loomis-Sayles Fund are not surveyed.

SUMMARY

Excess of Net Portfolio Purchases or Sales of 64 Investment Companies

	Bought	Sold	Matched	Total
Open-End Companies				
Balanced Funds	12	7	4	23
Stock Funds	17	6	7	30
Closen-End Companies	3	4	4	11
Totals	32	17	15	64

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Utilities Return to Fund Favor

while Newmont was added to one and initially included in two others. St. Joseph Lead, top favorite of the December quarter, currently retained its popularity with three managements. Selling was scattered with a couple of sales in light volume in Climax Molybdenum and Pittsburgh Consolidation Coal.

Purchases of the rails almost paralleled the volume of the previous three months. However the currently most popular issue — Southern Pacific — had experienced a division of opinion in the December period. In the first quarter under review, three initial commitments and twice again as many portfolio additions totaled 23,200 shares. Seven funds acquired 17,300 shares of Rock Island, three making first-time purchases. As with Southern Pacific management had been unable to make up its mind about this carrier three months earlier. Santa Fe and Southern were tied for number three place in the rail division each being purchased by four funds, half of which made new commitments. Three acquisitions were made in Western Pacific, Chesapeake and Ohio and Northern Pacific and a couple of purchases of Great Northern, Gulf, Mobile and Ohio and Kansas City Southern. Selling was light and scattered with two exceptions. Three portfolio eliminations of Pennsylvania totaled 39,000 shares, while the same number of sales in Denver and Rio Grande Western equaled 6,950 shares.

Transactions in the auto and auto parts division of course were over-shadowed by purchase of General Motors, stimulated originally by the rights offering. Acquisitions of Motors by 29 funds totaled 146,735 shares, but only 29,240 of these were purchased with rights distributed on stock originally held by the trusts at the inception of the quarterly period. Not a single share of Motors was sold by the trusts during the first three months of 1955. Chrysler also came in for renewed attention, five managements acquiring a total of 28,500 shares, two making new purchases. Two initial commitments were also made in Eaton Manufacturing and a couple of purchases in Ford of Canada, Fruehauf Trailer, Kelsey-Hayes Wheel and Timken Roller Bearing. A like number of sales was distributed among the new Borg Warner split stock, Clark Equipment, Electric Auto-Lite and Thompson Products.

Acquisition of the air lines and profit-taking in aircrafts proceeded at about the same pace as during the final 1954 quarter. In fact, the purchase by eight managements of American Airlines, half of whom were making initial commitments, was the same for the quarter under review as the previous three months. Current acquisitions totaled 94,800 shares partially offset by three sales equaling 34,000 shares. Of the sales, 30,000 shares represented profit-taking by Wellington which cut its holding in half. United Airlines was bought by five managements, three making first-time purchases, while four trusts liked Eastern to the tune of 30,300 shares. Six sales of the new Douglas stock topped the profit-taking in the aircrafts. United Aircraft and Sperry were each disposed of by four funds, while Lockheed and Chance Vought were sold by three and Grumman by two.

Policies Toward Merchandisers

Mention of Wellington's sale of American also calls to our attention the merchandising shares (which were distinctly out of favor during the quarter under review) and the additional sale by Wellington of its entire block of 16,000 shares of Montgomery Ward. Wellington had doubled its original holding of 8,000 shares during the second quarter of 1954. On the other hand, Affiliated, which recently made a public declaration for incumbent management, increased its substantial holding of 90,000 shares by another 11,300. General American Investors, which had been a Ward shareholder only a few years back, re-entered the picture with a purchase of 5,000 shares during the first three months of 1955.

Winn and Lovett Grocery and Associated Dry Goods were also liked by a couple of managements but, as pointed out, in general the trusts sold the retailing issues. A total of 3,400 shares of Safeway was eliminated from two portfolios and lightened in a third. Offsetting this was the initial purchase in this food chain of an 8,000 share block. Western Auto Supply and G. C. Murphy were also sold during the quarter, each by a couple of funds. Transactions in Sears were negligible, consisting of the sale of one small bloc of 300 shares. Elimination of a 12,500 share bloc of Macy by the Income Fund of National Securities and Research is of particular interest since Beardsley Ruml, formerly a leading executive officer of that department store group, is now one of the chief portfolio overseers of National.

As during the previous three months, selling in the electrical equipments was highlighted by profit-taking in General Electric, eight managements lightening holdings for a total amount of 98,700 shares. Westinghouse, upon which opinion had been divided in the closing months of 1954, was also now sold on balance, five trusts disposing of a total of 32,500 shares. Sylvania was also decreased in three lists as during late 1954. Columbia Broadcasting was lightened in three portfolios and Elliott Company was sold by two trusts. The two exceptions to the general selling in this group were Philco, 13,400 shares of which were acquired by three managements, and Philips Lamps in which two trusts made initial commitments. Selling in the textiles centered on liquidation by four funds of 31,700 shares of American Viscose (an issue mentioned by a touting radio commentator last week). J. P. Stevens

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Utilities Return to Fund Favor

was also sold by three trusts and United Merchants by two. Transactions in the tobaccos were extremely light with a couple of sales each in American Tobacco and Reynolds "B".

Steel Enthusiasm Cools

Enthusiasm for new commitments in the steels, as noted, was cooling off as profits began to be realized on the rather substantial run-ups. In addition to Wellington, there was realizing by Fully Administered Fund, Investment Company of America, the Axe Stock Fund and Johnston Mutual. Of interest in this group is some of the shifting in holdings by certain managements. For example in their "A" Fund, E. W. Axe eliminated Bethlehem and lightened Armco, Crucible, Inland, Jones and Laughlin and Youngstown. During the same three months Axe increased the "A" investment in Wheeling and made new commitments in Copperweld and Lukens (mentioned previously). National, however, was the group favorite, five funds adding a total of 50,700 shares. Three trusts made first-time purchases and a fourth increased holdings of Youngstown, and four likewise added to shares of Republic. In addition to increases resulting from the 3% stock distribution, four additions were also made of Harbison-Walker. Selling was concentrated on Armco, six investment companies disposing of a total of 11,800 shares. Transactions were fairly well balanced in Bethlehem, six purchases offsetting seven sales, as well as in United States Steel where a half dozen acquisitions were countered by five portfolio decreases.

National Biscuit was outstanding in the food group as three initial commitments and one addition to holdings totaled 140,200 shares. Two first-time purchases were also made in Allied Mills while a couple of trusts liked Gerber Products and Sunshine Biscuit. Food Machinery, Ingersoll Rand and Worthington were the industrial machinery favorites as each found three willing managements while Caterpillar and Halliburton Oil Well Cementing were added to two lists. Combustion Engineering was lightened in four portfolios and Chicago Pneumatic Tool in two.

Pfizer and Parke Davis were the Drug favorites, each being acquired by five managements. Merck was bought by four trusts and McKesson and Robbins and Colgate each by two. No concentrated selling was in evidence. Over-all divided opinion in the Chemicals was marked by seven purchases of Union Carbide totaling 27,700 shares. Monsanto was also liked by four funds and Koppers by three. Olin Mathieson bore the brunt of the concentrated selling as four portfolio eliminations and a fifth decrease equalled 42,800 shares. Victor Chemical also was sold on balance by three managements.

Finance and Insurance Companies

Commercial Credit was the most popular issue in the financing company group during the quarter, four purchases equalling 15,500 shares. However, although there were only two increases to existing holdings of C. I. T. Financial, total amount of the transactions was 26,000 almost doubling the size of the additions in the other major financing concern. Major acquisitions in the insurance group were in shares of Fidelity-Phenix Fire, three purchases equalling 9,000 shares. A couple of initial commitments were made in Massachusetts Protective Association and a like number of purchases were made of National Life and Accident. Outstanding buyer of the life companies was the Lehman Corporation which added to holdings of Connecticut General and Lincoln Life, and made initial commitments in Aetna and Travelers. However, selling was dominated by partial profit taking of Travelers in four portfolios. Hartford Steam Boiler Inspection and Insurance was also sold by two managements. The major part of the concentrated additions to bank shares resulted from stock distributions.

In the beverage group hard drinks were neglected, but Coca-Cola was bought by a couple of managements with the same number selling Pepsi. Glass and container issues were featured by six sales of American Can totalling 34,400 shares, half of which represented portfolio eliminations. Owens-Corning Fiberglas was also cleaned out of two portfolios, but Corning Glass Works found six purchasers, four of whom made initial commitments. Total amount bought was 41,100 shares. Thatcher Glass was also well thought of, two original acquisitions and one addition to holdings equalling 20,300 shares.

United States Gypsum was the building favorite, three new purchases and three portfolio additions totaling 8,400 shares. National Gypsum was liked by four managements and United States Pipe and Foundry by three. A like number of investment companies bought Carrier which was in addition to the new stock received for Affiliated Gas Equipment. A pair of initial commitments was made in Bridgeport Brass while Dragon and General Cement were sold on balance.

Farmers Seen Fed Up With Controls

May issue of the "Monthly Bank Letter" of the First National City Bank of New York finds flexibility in producton and prices essential in solving farm surpluses.

Calling the record of farm production and price controls a failure, the May issue of the "Monthly Bank Letter" of the First National City Bank of New York points out that even the farmers themselves are fed up with controls:

"Proponents of high price supports have argued that farmers were willing to submit to the controls necessary to maintain the higher prices," the "Monthly Bank Letter" states. "Recent reports, however, indicate that farmers are becoming more and more fed up with controls and may reject the restriction necessary to bring supplies in line with 90% of parity supports or something close to it.

"Many observers predict that wheat farmers this year may vote down marketing quotas on the '56 crop. They cite farmers' growing resentment over controls, and the prospect of lower price supports for '56. Actually, current estimates indicate price supports on wheat, if quotas are approved, ranging between 75 and 80% of parity. Apparently, the feeling is that farmers will not regard this as sufficient inducement to compensate for controls, and that they may prefer to take their chances with unrestricted plantings and free market prices."

Commenting further, the article points out:

"If farmers reject production controls, prices must be allowed enough freedom to perform their function in adjusting supplies to demand. The flexible price support program enacted by the Congress last year is a big step in this direction.

"One of the great weaknesses of attempting to curb overproduction by acreage restrictions is that by and large they apply across the board, making no allowance for variations in farmer efficiency, suitability of land, etc. The efficient and inefficient, the good farms and the poor, are cut down alike. There is a minimum of sifting out, and of incentive for farms to be devoted to products for which they are best suited.

"The basic trouble, whether we like it or not, is that there are too many people trying to make a living out of agriculture. As in everything else, improved machinery and methods have wrought a revolution in output per worker. It is the old story told again of fewer and fewer people being needed in agriculture to produce the food and fiber for themselves and the rest of the population. Without this shift in occupations this country could never have enjoyed its great industrial development.

"Thus, stripped to essentials, the issue comes down to (a) whether to buck this trend by holding the umbrella of high support prices over farmers generally, keeping more people in agriculture than needed and adopting a spread-the-work policy of rationing output regardless of productivity, or (b) whether to recognize and accept this trend by restoring the test of flexible prices which, applied within limits cushioning their impact, should channel production into fewer and more capable hands. For those who are willing to face the facts, there seems little choice as to which course will, in the long run, prove best for agriculture and for the country."

Irving Stein Joins Capper & Co.

Irving Stein

Capper & Co., 30 Broad Street, New York City, has announced that Irving Stein has become associated with them as Manager of the trading department. Mr. Stein was formerly with Greene and Company.

Big Fish Story Sails Out of West

LOS ANGELES, Calif. — Following the Los Angeles Stock Exchange tour of Industry to Mexico City, Charles Holton and Laurence D. Hull journeyed on to Acapulco for deep sea fishing and had the thrill of their lives by catching two nine foot four inch sail fish. Pictures of the catch are available with a guarantee that they were not rented for the pose attested by a notary at Acapulco. The fish are being mounted for posterity.

Now Grant Johnston & Co. Limited

MONTREAL, Quebec, Canada—The firm name of Guildhall Securities Limited, 485 McGill Street, has been changed to Grant Johnston & Co. Limited.

New Krensky Branch

HAMMOND, Ind. — Arthur M. Krensky & Co., Inc., members of the New York Stock Exchange have opened a branch office in the Yale Building under the direction of Jay Stanley.

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)	May 15	§96.7	*96.6	94.6	70.9
Equivalent to—					
Steel ingots and castings (net tons)	May 15	§2,334,000	*2,331,000	2,284,000	1,690,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 29	6,835,950	6,831,800	6,807,350	6,621,600
Crude runs to stills—daily average (bbls.)	Apr. 29	¶7,159,000	7,095,000	7,206,000	6,675,000
Gasoline output (bbls.)	Apr. 29	24,099,000	23,974,000	23,771,000	22,567,000
Kerosene output (bbls.)	Apr. 29	2,126,000	2,250,000	2,313,000	2,199,000
Distillate fuel oil output (bbls.)	Apr. 29	10,521,000	10,362,000	11,774,000	9,067,000
Residual fuel oil output (bbls.)	Apr. 29	7,796,000	8,005,000	7,915,000	7,918,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 29	176,759,000	179,741,000	185,282,000	177,058,000
Kerosene (bbls.) at	Apr. 29	21,012,000	20,429,000	18,620,000	19,680,000
Distillate fuel oil (bbls.) at	Apr. 29	67,635,000	65,678,000	61,850,000	61,405,000
Residual fuel oil (bbls.) at	Apr. 29	43,887,000	44,619,000	44,634,000	44,147,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 30	730,137	705,848	650,059	647,925
Revenue freight received from connections (no. of cars)	Apr. 30	634,544	618,396	620,396	576,826
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 5	$389,375,000	$458,531,000	$335,015,000	$473,968,000
Private construction	May 5	247,070,000	308,490,000	156,706,000	342,130,000
Public construction	May 5	142,305,000	150,041,000	178,309,000	131,838,000
State and municipal	May 5	106,853,000	124,484,000	150,330,000	104,276,000
Federal	May 5	35,452,000	25,557,000	27,979,000	27,562,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 30	8,600,000	*8,575,000	7,350,000	6,767,000
Pennsylvania anthracite (tons)	Apr. 30	396,000	387,000	455,000	403,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 30	120	*112	114	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 7	9,566,000	9,659,000	9,633,000	8,438,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 5	237	212	211	206
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 3	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	May 3	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	May 3	$35.00	$35.67	$37.00	$27.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 4	35.700c	35.700c	35.700c	29.700c
Export refinery at	May 4	36.100c	36.500c	40.100c	29.750c
Straits tin (New York) at	May 4	91.250c	91.375c	90.750c	93.500c
Lead (New York) at	May 4	15.000c	15.000c	15.000c	14.000c
Lead (St. Louis) at	May 4	14.800c	14.800c	14.800c	13.800c
Zinc (East St. Louis) at	May 4	12.000c	12.000c	11.500c	10.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 10	96.58	96.29	96.63	100.03
Average corporate	May 10	108.88	109.24	109.24	110.88
Aaa	May 10	112.37	112.75	112.93	115.63
Aa	May 10	110.34	110.52	110.88	112.93
A	May 10	109.24	109.42	109.79	110.52
Baa	May 10	104.14	104.31	104.48	104.66
Railroad Group	May 10	107.27	107.44	107.62	109.42
Public Utilities Group	May 10	109.60	109.97	110.15	110.88
Industrials Group	May 10	110.15	110.15	110.52	112.19
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 10	2.75	2.77	2.75	2.50
Average corporate	May 10	3.23	3.21	3.20	3.12
Aaa	May 10	3.04	3.02	3.01	2.87
Aa	May 10	3.15	3.14	3.12	3.01
A	May 10	3.21	3.20	3.18	3.14
Baa	May 10	3.50	3.49	3.48	3.47
Railroad Group	May 10	3.32	3.31	3.30	3.20
Public Utilities Group	May 10	3.19	3.17	3.16	3.12
Industrials Group	May 10	3.16	3.16	3.14	3.05
MOODY'S COMMODITY INDEX	May 10	401.1	398.9	402.7	433.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 30	290,223	235,321	336,760	251,496
Production (tons)	Apr. 30	266,188	263,794	271,066	230,314
Percentage of activity	Apr. 30	96	95	95	87
Unfilled orders (tons) at end of period	Apr. 30	507,635	483,631	515,670	369,140
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 6	106.82	106.91	107.11	109.37
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. 23	1,362,579	919,857	1,538,967	789,682
Dollar value	Apr. 23	$71,621,860	$47,931,382	$80,834,406	$36,077,922
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 23	1,399,849	872,921	1,565,782	848,921
Customers' short sales	Apr. 23	6,213	3,505	11,510	3,733
Customers' other sales	Apr. 23	1,393,636	869,416	1,554,272	845,188
Dollar value	Apr. 23	$65,689,065	$43,803,793	$78,572,088	$37,018,685
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 23	362,770	238,190	427,350	283,815
Short sales	Apr. 23	------	------	------	------
Other sales	Apr. 23	362,770	238,190	427,350	283,815
Round-lot purchases by dealers—					
Number of shares	Apr. 23	447,310	294,180	439,740	217,310
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	Apr. 16	537,550	318,220	537,400	288,390
Other sales	Apr. 16	14,502,430	9,547,130	14,783,150	8,414,920
Total sales	Apr. 16	15,039,980	9,865,350	15,320,550	8,703,310
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 16	1,814,960	1,160,660	2,042,670	919,980
Short sales	Apr. 16	285,220	189,890	268,620	172,330
Other sales	Apr. 16	1,469,780	972,080	1,801,010	723,460
Total sales	Apr. 16	1,755,000	1,161,970	2,069,630	896,290
Other transactions initiated on the floor—					
Total purchases	Apr. 16	331,960	206,290	396,140	296,690
Short sales	Apr. 16	14,000	6,400	35,820	16,000
Other sales	Apr. 16	337,900	201,370	350,350	271,920
Total sales	Apr. 16	351,900	207,770	386,170	287,920
Other transactions initiated off the floor—					
Total purchases	Apr. 16	556,210	385,880	562,820	308,182
Short sales	Apr. 16	122,500	60,270	75,820	33,600
Other sales	Apr. 16	656,190	445,394	548,775	325,083
Total sales	Apr. 16	778,690	505,664	624,595	358,683
Total round-lot transactions for account of members—					
Total purchases	Apr. 16	2,703,130	1,752,830	3,001,630	1,524,852
Short sales	Apr. 16	421,720	256,560	380,260	222,430
Other sales	Apr. 16	2,463,870	1,618,844	2,700,135	1,320,463
Total sales	Apr. 16	2,885,590	1,875,404	3,080,395	1,542,893
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 3	110.4	110.4	110.4	110.0
Farm products	May 3	92.6	92.8	92.5	99.6
Processed foods	May 3	108.3	102.8	103.0	106.2
Meats	May 3	85.8	84.1	85.1	96.5
All commodities other than farm and foods	May 3	115.8	115.8	115.7	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
CONSUMER PRICE INDEX — 1947-49=100— Month of March:			
All items	114.3	114.3	114.8
Food	110.8	110.8	112.1
Food at home	109.7	109.6	111.4
Cereals and bakery products	123.9	123.8	121.2
Meats, poultry and fish	102.3	102.5	109.5
Dairy products	105.4	106.1	108.0
Fruits and vegetables	112.0	110.7	107.8
Other foods at home	111.9	112.1	112.3
Housing	119.6	119.6	119.0
Rent	130.0	129.7	128.0
Gas and electricity	110.3	109.9	107.6
Solid fuels and fuel oil	126.2	126.2	125.8
Housefurnishings	104.6	104.8	107.2
Household operation	117.9	117.7	117.5
Apparel	103.2	103.4	104.3
Men's and boys'	105.6	105.6	107.2
Women's and girls'	97.4	97.7	99.0
Footwear	116.7	116.6	116.1
Other apparel	90.4	90.6	90.0
Transportation	127.3	127.4	129.0
Medical care	127.0	126.8	124.4
Personal care	113.5	113.5	114.1
Reading and recreation	106.6	106.4	108.2
Other goods and services	119.8	119.8	120.1
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Final report 1954 crop:			
Production 500-lb. gross bales	13,679,000	------	16,465,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of March:			
Cotton Seed—			
Received at mills (tons)	36,302	84,133	50,278
Crushed (tons)	438,002	513,729	597,568
Stocks (tons) March 31	1,010,361	1,412,061	1,332,089
Crude Oil—			
Stocks (pounds) March 31	125,738,000	145,221,000	184,799,000
Produced (pounds)	150,978,000	169,946,000	200,632,000
Shipped (pounds)	171,702,000	151,001,000	211,435,000
Refined Oil—			
Stocks (pounds) March 31	568,369,000	545,824,000	1,166,643,000
Produced (pounds)	161,402,000	141,252,000	197,063,000
Consumption (pounds)	138,285,000	141,288,000	167,032,000
Cake and Meal—			
Stocks (tons) March 31	278,909	257,064	167,313
Produced (tons)	218,928	254,430	278,124
Shipped (tons)	197,083	239,499	256,898
Hulls—			
Stocks (tons) March 31	67,434	68,917	94,588
Produced (tons)	98,197	114,203	132,752
Shipped (tons)	99,680	123,301	126,650
Linters, (running bales)—			
Stocks March 31	317,298	356,759	226,576
Produced	139,583	165,675	188,968
Shipped	179,044	198,170	175,851
Hull Fiber (1,000-lb. bales)—			
Stocks March 31	449	618	914
Produced	457	676	1,269
Shipped	626	1,098	1,430
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks March 31	4,301	4,342	8,751
Produced	1,287	1,457	3,328
Shipped	1,328	1,508	3,045
METAL PRICES (E. & M. J. QUOTATIONS)— Average for month of April:			
Copper (per pound)—			
Electrolytic domestic refinery	35.700c	32.935c	29.700c
Electrolytic export refinery	37.938c	37.314c	29.520c
Lead—			
Common, New York (per pound)	15.000c	15.000c	13.904c
Common, St. Louis (per pound)	14.800c	14.800c	13.713c
‡‡Prompt, London (per long ton)	£104.467	£104.005	£93.544
††Three months, London (per long ton)	£104.141	£103.117	£91.481
¶Antimony, New York Boxed	31.970c	31.970c	31.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	28.500c
Antimony (per pound) Laredo	29.000c	29.000c	29.000c
Platinum, refined (per ounce)	$78.500	$78.500	$84.000
Zinc (per pound)—East St. Louis	11.925c	11.500c	10.250c
††Zinc, London, prompt (per long ton)	£89.063	£88.247	£79.644
††Zinc, London, three months (per long ton)	£87.868	£87.152	£78.816
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.72500
§Cadmium (per pound)	$1.70000	$1.70000	$1.75000
Cobalt, 97%	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	87.071c	87.250c	85.250c
Silver, London (pence per ounce)	75.711	75.902	73.550
Sterling Exchange (Check)	$2.79649	$2.79143	$2.81824
Tin, New York Straits	91.413c	91.106c	96.269c
§§New York, 99% min.	90.413c	90.106c	95.269c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$315.846	$321.556	$220.231
Aluminum, 99% plus ingot (per pound)	23.200c	23.200c	21.500c
Magnesium ingot (per pound)	28.500c	27.556c	27.000c
**Nickel	64.500c	64.500c	60.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of April:			
Industrials (125)	4.03	4.18	4.86
Railroads (25)	4.65	4.79	6.59
Utilities (not incl. Amer. Tel & Tel.) (24)	4.44	4.54	4.96
Banks (15)	3.94	3.89	4.66
Insurance (10)	2.50	2.58	3.08
Average (200)	4.12	4.21	4.94
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-14=100—As of March 15:			
Unadjusted—			
All farm products	244	245	258
Crops	245	245	237
Food grain	239	240	236
Feed grain and hay	198	203	208
Tobacco	437	436	443
Cotton	269	268	258
Fruit	205	210	210
Truck crops	274	258	233
Oil-bearing crops	264	270	269
Livestock and products	243	244	277
Meat animals	260	264	315
Dairy products	249	253	267
Poultry eggs	199	190	208
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$276,686,284	$274,080,432	$271,126,620
General fund balances	6,401,175	5,150,785	4,787,069
Net debt	$270,285,109	$268,929,647	$266,339,551
Computed annual rate	2.331%	2.334%	2.380%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colbourne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Air Control Products, Inc., Miami, Fla.
April 26 filed 300,000 shares of common stock (par $1), of which 250,000 shares are for account of company and 50,000 shares for account of Henry A. Keller, President. **Price** — $6 per share. **Proceeds** — For construction and equipping of extrusion plant, payment of obligations and other general corporate purposes. **Underwriter** — Scott, Horner & Mason, Inc., Lynchburg, Va.

★ **Air Reduction Co., Inc.**
May 5 filed 200,000 shares of common stock (no par), to be offered for subscription by officers and other executive employees of company as have been or may in the future be granted options to purchase such shares pursuant to the company's stock option plan.

● **Alabama Power Co. (5/23)**
April 27 filed $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**—To be received up to noon (EDT) on May 23 at office of Southern Services, Inc., 250 Park Avenue, New York 17, N. Y.

All State Uranium Corp., Moab, Utah
April 19 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—For mining operations. **Underwriter**—General Investing Corp., 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.

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 Buyers Insurance Co., Phoenix, Ariz.**
April 25 (letter of notification) 137,500 shares of common stock (par $1) to be offered to members. **Price**—$2 per share. **Proceeds**—To increase capital account and surplus. **Office** — 2001 E. Roosevelt St., Phoenix, Ariz. **Underwriter** — American Buyers Assurance Co., same address.

● **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. Statement has been withdrawn.

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.

Arizona Amortibanc, Phoenix, Ariz.
April 4 (letter of notification) 300,000 shares of common stock, class A. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—807 West Washington St., Phoenix, Ariz. **Underwriter**—First National Life Insurance Co. of Phoenix, same address.

● **Arizona Bancorporation, Phoenix, Ariz.**
April 29 filed 100,000 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each three shares held; rights to expire on June 15. **Price**—$15 per share. **Proceeds**—For working capital and future general corporate purposes. **Underwriter**—None.

Armstrong Manufacturing Corp., Plymouth, Mass.
April 21 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For expansion and working capital. **Underwriter**—Sheehan & Co., Boston, Mass.

★ **Artesian Water Co., Newport, Del.**
April 26 (letter of notification) 5,446 shares of class A common stock (no par) to be offered first to common and class A common stockholders on a 1-for-3 basis. **Price**—$20 per share to stockholders; and $22 to public. **Proceeds**—For additions and improvements. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

★ **Associated Finance Co., Phoenix, Ariz.**
April 11 (letter of notification) 150,000 shares of class A common stock (par $1). **Price**—$2 per share. **Proceeds**—To make loans. **Office**—516 Mayer-Heard Bldg., Phoenix, Ariz. **Underwriter**—None.

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) being offered for subscription by stockholders of record April 7, 1955, on the basis of one share for each six shares held (with an oversubscription privilege); rights to expire on May 27. **Price**—$14 per share. **Proceeds**—To increase capital and surplus. **Office**—312 N. 23rd St., Birmingham, Ala. **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.
April 11 filed $191,659,000 3¼% 25-year convertible debentures due 1980, being offered for subscription by common stockholders on the basis of $500 of debentures for each 25 shares of common held on May 2; rights to expire on May 23. **Price**—100% of principal amount. **Proceeds**—For general corporate purposes. **Underwriters**—Kuhn, Loeb & Co. and Smith, Barney & Co., both of New York.

Bonnyville Oil & Refining Corp., Montreal, Can.
April 29 filed $2,000,000 5% convertible notes due July 1, 1975 to be offered for subscription by common stockholders at rate of $100 of notes for each 100 shares of stock held. **Price**—95% of principal amount to stockholders and 100% to public. **Proceeds**—For development costs and general corporate purposes. **Underwriter**—None.

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. (5/13)**
April 19 filed 460,644 shares of common stock (par $2.50) to be offered for subscription by common stockholders of record on May 12 on a basis of one new share for each three shares held (with an oversubscription privilege); rights to expire on May 26. **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.

Brockton Edison Co. (5/25)
April 26 filed $6,000,000 first collateral trust bonds due 1985. **Proceeds**—For redemption of 3⅝% bonds, to repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Stone & Webster Securities Corp.; Kidder, Peabody & Co., White, Weld & Co. and Shields & Co. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on May 25 at 49 Federal St., Boston, Mass.

California Tuna Fleet, Inc.
Feb. 15 filed (amendment) $500,000 of 6% sinking fund debentures due 1967 and 50,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—Expected at $1,100 per unit. **Proceeds**—For expansion and working capital. **Office**—San Diego, Calif. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Carling Brewing Co., Inc., Cleveland, Ohio
March 15 (letter of notification) 3,803 shares of capital stock (par $15) to be offered for subscription by stockholders. **Price**—$40 per share. **Proceeds**—To repay loan from Canadian Breweries, Ltd. **Office** — 9400 Quincy Ave., Cleveland, O. **Underwriter**—None.

★ **Central Illinois Electric & Gas Co. (6/7)**
May 6 filed $4,000,000 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.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. **Bids**—Expected to be received on June 7.

Chicago Corp.
April 14 filed 672,000 additional shares of common stock (par $1) being 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**—$18 per share. **Proceeds**—For new construction and working capital; and to prepay outstanding notes. **Underwriters**—Glore, Forgan & Co., Chicago, Ill., and Ladenburg, Thalman & Co., New York.

★ **Chieftain Uranium Mines, Inc.**
April 22 (letter of notification) 4,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining operations. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., same city.

★ **Citrus Tree Owners of America, Inc.**
April 12 (letter of notification) 700 citrus tree leases. **Price**—400 at $125 per lease; 250 at $150; and 50 at $200; an aggregate total of $97,500. **Proceeds** — For citrus growing. **Office**—McAllen, Tex. **Underwriter**—None.

★ **Coleman Engineering Co., Inc., Los Angeles, Cal.**
April 26 (letter of notification) $290,000 of 6% convertible debentures due April 1, 1970. **Price**—At par (in denominations of $500 and $1,000). **Proceeds**—To retire short term borrowings and for working capital. **Office**—6040 W. Jefferson Blvd., Los Angeles, Calif. **Underwriters**—Wilson, Johnson & Higgins and Davis, Skaggs & Co., both of San Francisco, Calif., and Jones, Cosgrove & Miller, Pasadena, Calif.

● **Colohoma Uranium, Inc., Montrose, Colo. (6/2)**
April 21 filed 2,960,000 shares of common stock (par one cent), of which 2,500,000 shares are to be offered publicly. **Price**—50 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

● **Colorado Sports Racing Association (5/26)**
April 29 filed 600,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For purchase of land and other facilities and for working capital. **Office**—Grand Junction, Colo. **Underwriter**—General Investing Corp., New York.

★ **Commonwealth Fund, Boston, Mass.**
May 10 filed $3,000,000 Plan A and $1,380,000 Plan B securities and 1,600,000 "theoretical" units. **Proceeds**—For investment.

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.

Comstock Uranium-Tungsten Co., Inc.
April 8 (letter of notification) 440,000 shares of common stock (par two cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Office**—405 Henderson Bank Bldg., Elko, Nev. **Underwriter** — Utah Uranium Brokers, Salt Lake City Utah.

Confidential Finance Corp., Omaha, Neb
March 11 (letter of notification) 150,000 shares of 7% cumulative preferred stock (par 95 cents) and 15,000 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $10 per unit. **Proceeds** — For working capital. **Underwriter**—J. J. Riordan & Co., Inc., 42 Broadway, New York City.

Consolidated 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 Natural Gas Co. (6/2)**
April 27 filed 738,721 additional shares of capital stock (par $10) to be offered for subscription by stockholders of record June 2, 1955 at rate of one new share for each 10 shares held; rights to expire on June 21. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and to purchase securities from or make loans to company's subsidiaries for use for their construction programs. **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.

★ **Cooperative Grange League Federation Exchange, Inc.**
May 4 filed 10,000 shares of 5% cumulative preferred stock (par $100) to be offered to farmer and non-farmer patrons of the Federation Exchange and others who desire to become stockholders, and 200,000 shares of common stock (par $5) to be offered only to present members of Federation Exchange and to farmers interested in becoming members. **Price**—At par. **Proceeds**

—To retire class B common stock, redeem 5% cumulative preferred stock of G.L.F. Holding Corp., and to provide funds necessary to redeem outstanding 4% cumulative preferred stock and common stock and Holding corporation's 4% cumulative preferred stock whenever such shares are presented for redemption; any funds remaining to be added to working capital. **Underwriter**—None.

● Copper Range Co.
April 14 filed 282,464 shares of common stock (par $5) being offered for subscription by common stockholders of record May 5 on the basis of one share for each five shares held; rights to expire on May 19. **Price**—$35 per share. **Proceeds**—To retire obligations and for general corporate purposes. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

★ Cuba (Republic of) (5/23-24)
April 29 filed $2,500,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—To be supplied by amendment. **Proceeds**—To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

★ Cuellar Foods, Inc., Dallas, Texas
April 18 (letter of notification) 19,245 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—To lease property and for working capital. **Office**—162 Leslie St., Dallas, Tex. **Underwriter**—None.

● Cutter Laboratories, Berkeley, Calif.
April 25 filed 144,500 shares of series LV common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y. **Offering**—Indefinitely postponed. Statement withdrawn.

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.

Daybreak Uranium, Inc., Spokane, Wash.
April 4 (letter of notification) 800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining operations. **Office**—415 Paulsen Bldg., Spokane 1, Wash. **Underwriter**—Pennaluna & Co., same city.

Desert Queen Uranium Co., Salt Lake City, Utah
Jan. 26 (letter of notification) 259,500 shares of common stock (par two cents). **Price**—$1 per share. **Proceeds**—for mining operations. **Office**—506 Judge Building, Salt Lake City, Utah. **Underwriter** — Selected Securities Ltd., Los Vegas, Nev.

Desert Sun Uranium Co., Inc.
April 18 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office** — 343 South State St., Salt Lake City, Utah. **Underwriter** — J. W. Hicks & Co., Inc., Denver, Colo.

● Detroit Edison Co. (5/24)
May 3 filed $60,000,000 general and refunding mortgage bonds, series O, due May 15, 1980. **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.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Expected to be received on May 24.

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.

★ Duraloy Co., Scottdale, Pa.
May 10 filed 60,000 shares of common stock (par $1). **Price** — At prevailing market price at time of public offering. **Proceeds**—For plant modernization and improvement program. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York, who will acquire the stock at $4 per share.

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.

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.

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.

Excelsior Insurance Co. of New York
April 11 (letter of notification) 25,000 shares of capital stock (par $6) being 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.

Federal Security Insurance Co.
April 21 (letter of notification) 6,000 shares of common stock (par $10) to be offered first to stockholders on the basis of one new share for each five shares held. **Price**—$40 per share. **Proceeds**—For general corporate purposes. **Office**—Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Allied Underwriters Co., same address.

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.

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.
April 14 (letter of notification) 232,557 shares of common stock (par $7.50) being offered for subscription by common stockholders of record May 11 on a 1-for-10 basis; rights to expire on May 31. **Price**—$43 per share. **Proceeds** — For construction program. **Underwriters** — Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane. **Offering**—Expected today (May 12).

Foremost Dairies, Inc., Jacksonville, Fla.
April 21 filed 495,524 shares of common stock (par $2), of which 343,025 shares are to be offered in exchange for 68,605 shares of common stock (par 25 cents) at the rate of five Foremost common shares for each Philadelphia Dairy common share; and 152,499 shares are to be reserved for issuance under Employees' Restricted Stock Option Plan for Foremost officers and key employees.

★ Formica Co., Cincinnati, Ohio
April 27 (letter of notification) 1,920 shares of common stock (no par). **Price**—$52 per share. **Proceeds**—To selling stockholder. **Office**—4620 Spring Grove Ave., Cincinnati, O. **Underwriter**—W. E. Hutton & Co., same city.

★ Fremont Uranium Corp., Denver, Colo.
April 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For mining expenses. **Office**—235 Ivy St., Denver, Colo. **Underwriter**—L. A. Huey Co., same city.

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. **Offering**—Expected this week.

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.

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NEW ISSUE CALENDAR

May 13 (Friday)

Braniff Airways, Inc._____**Common**
(Offering to stockholders—underwritten by F. Eberstadt & Co. Inc.) 460,644 shares

May 16 (Monday)

Pomona Tile Manufacturing Co._____**Common**
(Crowell, Weedon & Co.) 120,928 shares

Precision Radiation Instruments, Inc._____**Common**
(Dempsey-Tegeler & Co.) 225,000 shares

Schmieg Industries, Inc._____**Common**
(S. D. Fuller & Co. and Vermilye Brothers) $299,640

May 17 (Tuesday)

Gulf Cities Gas Corp._____**Class A**
(Elsele & King, Libaire, Stout & Co.) $656,250

Ohio Edison Co._____**Bonds**
(Bids 11 a.m. EDT) $30,000,000

Public Service Co. of Oklahoma_____**Preferred**
(Bids 10:30 a.m. CDT) $10,000,000

Southern California Edison Co._____**Debentures**
(Offering to stockholders—no underwriting) $40,950,600

May 18 (Wednesday)

Grace (W. R.) & Co._____**Debentures**
(Goldman, Sachs & Co.) $30,000,000

Kurman Electric Co., Inc._____**Common**
(John R. Boland & Co., Inc.) $300,000

May 19 (Thursday)

Trav-Ler Radio Corp. _____**Debentures**
(Lee Higginson Corp. and Straus, Blosser & McDowell) $1,100,000

May 23 (Monday)

Alabama Power Co._____**Bonds**
(Bids noon EDT) $15,000,000

Cuba (Republic of) _____**Bonds**
(Allen & Co.) $2,500,000

Hawk Lake Uranium Corp._____**Common**
(Dobbs & Co.) $300,000

Potomac Electric Power Co._____**Bonds**
(Bids to be invited) $10,000,000

Potomac Electric Power Co._____**Common**
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) 511,660 shares

Progress Manufacturing Co., Inc._____**Common**
(Blair & Co. Incorporated and Emanuel, Deetjen & Co.) 200,000 shares

Stewart Oil & Gas Co._____**Common**
(Barrett Herrick & Co., Inc.) $750,000

Western Nebraska Oil & Uranium Co., Inc.__**Com.**
(Israel & Co.) $300,000

Wisconsin Power & Light Co._____**Preferred**
(Offering to preferred stockholders — underwritten by Smith, Barney & Co. and Robert W. Baird & Co., Inc.) $3,000,000

Wisconsin Power & Light Co._____**Common**
(Offering to common stockholders — underwritten by Smith, Barney & Co. and Robert W. Baird & Co., Inc.) 263,140 shares

May 24 (Tuesday)

Detroit Edison Co._____**Bonds**
(Bids to be invited) $60,000,000

General Controls Co._____**Common**
(Dean Witter & Co.) 60,000 shares

General Telephone Corp._____**Preferred**
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton) $15,000,000

Public Service Co. of New Hampshire____**Common**
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Blyth & Co., Inc.) 413,016 shares

Rheem Manufacturing Co._____**Common**
(Blyth & Co., Inc.; Kuhn, Loeb & Co.; and Smith, Barney & Co.) 400,000 shares

May 25 (Wednesday)

Brockton Edison Co._____**Bonds**
(Bids 11 a.m. EDT) $6,000,000

Lockheed Aircraft Corp._____**Debentures**
(Blyth & Co., Inc. and Hornblower & Weeks) $30,000,000

Minneapolis-Honeywell Regulator Co.__**Preference**
(Union Securities Corp.) $16,000,000

Washington Gas Light Co._____**Bonds**
(Bids to be invited) $8,000,000

May 26 (Thursday)

Colorado Sports Racing Association_____**Common**
(General Investing Corp.) $600,000

Penn-Dixie Cement Corp._____**Common**
(Offering to stockholders—underwritten by Dominick & Dominick) 361,282 shares

June 1 (Wednesday)

General Precision Instrument Corp._____**Preferred**
(The First Boston Corp. and Tucker, Anthony & Co.) 100,000 shares

Public Service Co. of Colorado_____**Common**
(Offering to stockholders and employees—underwritten by The First Boston Corp.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.) 303,010 shares

June 2 (Thursday)

Colohoma Uranium, Inc._____**Common**
(General Investing Corp. and Shaiman & Co.) $1,250,000

Consolidated Natural Gas Co._____**Common**
Offering to stockholders—no underwriting 738,721 shares)

Silver Creek Precision Corp. _____**Debentures**
(General Investing Corp.) $600,000

June 3 (Friday)

Illinois Bell Telephone Co._____**Common**
(Offering to stockholders—no underwriting) 663,469 shares

Peoples Gas Light & Coke Co._____**Common**
(Offering to stockholders—no underwriting) 111,836 shares

June 7 (Tuesday)

Central Illinois Electric & Gas Co._____**Bonds**
(Bids to be invited) $4,000,000

Southwestern Gas & Electric Co._____**Preferred**
(Bids to be invited) $6,000,000

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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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 May 16. **Underwriter**—None.

● **Garrett Corp.**
April 20 filed 182,033 shares of common stock (par $2) being offered for subscription by common stockholders of record May 9 in the ratio of one new share for each four shares held; rights to expire on May 23. **Price**—$35 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

● **General Controls Co., Glendale, Calif. (5/24)**
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.

★ **General Precision Equipment Corp. (6/1)**
May 11 filed 100,000 shares of cumulative preferred stock (no par), of which 67,176 shares are to be offered in exchange for four series of outstanding preferred stock. **Price** — To be supplied by amendment. **Proceeds**—To retire unexchanged preferred stocks and for working capital. **Underwriters** — The First Boston Corp. and Tucker, Anthony & Co., both of New York.

● **General Telephone Corp., New York (5/24-25)**
May 3 filed 300,000 shares of convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds** — For additional investment in common stock equities of subsidiaries. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Jones & Templeton, Los Angeles, Calif.

Grace (W. R.) & Co. (5/18)
April 26 filed $30,000,000 of convertible subordinate debentures due May 15, 1975. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including capital expenditures for chemical operations in the United States and Canada. **Underwriter**—Goldman, Sachs & Co., New York.

● **Gulf Cities Gas Corp. (5/17)**
April 21 filed 75,000 shares of class A stock (par $1). **Price**—To be supplied by amendment (expected to be about $8.75 per share). **Proceeds**—For repayment of bank loans, etc., expansion and working capital. **Underwriter**—Eisele & King, Libraire, Stout & Co., New York.

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.

★ **Hartford Gas Co., Hartford, Conn.**
May 10 filed $1,500,000 of 3¼% 10-year convertible debentures due July 1, 1965, to be offered first to preferred and common stockholders of record May 6 at rate of $25 principal amount of debentures for each three shares of stock held. **Price**—At par. **Proceeds**—To repay bank loans and for additions and improvements. **Underwriter**—None.

Hawk Lake Uranium Corp. (5/23-27)
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.

Helio Aircraft Corp., Canton, Mass.
March 31 (letter of notification) 48,000 shares of common stock. **Price**—$6.25 per share. **Proceeds**—To pay off obligations, for working capital, etc. **Office**—Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—None.

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.

High Pressure Equipment Co., Inc., Erie, Pa.
April 8 (letter of notification) 26,000 shares of common stock (par $1). **Price** — $2.25 per share. **Proceeds**—To repay short-term loans, and for new equipment and working capital. **Office**—1222 Linden Avenue, Erie, Pa. **Underwriter**—Reitzell, Reed & Co., Erie, Pa.

★ **Hillyard Sales Co. (Eastern), St. Joseph, Mo.**
Feb. 28 (letter of notification) eight debenture certificates. **Price**—Five at $5,000 each; and three at $1,000 each. **Proceeds**—For working capital. **Office**—402 N. 3rd St., St. Joseph, Mo. **Underwriter**—None.

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.

Horsethief Canyon Uranium, Inc.
April 12 (letter of notification) 6,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office** — 701 Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Van Blerkom & Co., same city.

Horton Aircraft Corp., Las Vegas, Nev.
April 26 filed 500,000 shares of common stock (no par), of which 400,000 shares are to be offered for account of company and 100,000 shares for account of William E. Horton, President. **Price**—$1 per share. **Proceeds**—For construction of model of "Horton Wingless Aircraft" and expenses incident thereto. **Underwriter**—None.

Humble Sulphur Co., Houston, Texas
April 25 filed 500,000 shares of common stock (par 1¢). **Price**—$1.20 per share. **Proceeds**—For exploration for sulphur and related activities. **Underwriter**—Garrett & Co., Dallas, Texas.

Ibex Uranium, Inc. (Wyo.)
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.

★ **Illinois American Casualty Co.**
May 5 filed 100,000 shares of common stock (par $2). **Price**—$5 per share. **Proceeds**—To engage in insurance business. **Office**—Champaign, Ill. **Underwriter**—None.

★ **Illinois American Fire Insurance Co.**
May 5 filed 100,000 shares of common stock (par $2). **Price**—$5 per share. **Proceeds**—To engage in insurance business. **Office**—Champaign, Ill. **Underwriter**—None.

★ **Inca Uranium Corp., Salt Lake City, Utah**
April 25 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1946 S. Main St., Salt Lake City, Utah. **Underwriter** — Guss & Mednick Co., Salt Lake City, and Moab, Utah.

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) being 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); rights to expire on June 1. **Price** — $15.50 per share. **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.

● **Junction Bit & Tool Co.**
March 31 (letter of notification) 33,745 shares of common stock (par $1) being 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 (about June 6), 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.

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.

Knapp Uranium & Development Co.
April 21 (letter of notification) 20,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—2174 S. Main St., Salt Lake City, Utah. **Underwriter** — Guss & Mednick Co., same city.

● **Kropp Forge Co., Cicero, Ill.**
April 20 (letter of notification) 18,081 shares of common stock (par 33⅓ cents). **Price**—At market. **Proceeds**—For selling stockholders. **Undewriters**—L. D. Sherman & Co., New York; and Sincere & Co., Chicago, Ill. No general offering planned.

● **Kurman Electric Co., Inc. (5/18-19)**
May 2 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For equipment and working capital. **Business**—Electromagnetic control apparatus. **Office**—35-18 37th St., Long Island City, N. Y. **Underwriter**—John R. Boland & Co. Inc., New York.

★ **Larso Laboratories, Inc., Erie, Pa.**
April 18 (letter of notification) 178,725 shares of common stock, of which 11,000 shares are subject to offer of rescission. **Price**—At par ($1 per share). **Proceeds**—For additional equipment and sales expansion. **Office**—301 W. 12th St., Erie, Pa. **Underwriter**—None, sales to be handled by Morris G. Berenstein.

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.

● **Lockheed Aircraft Corp., Burbank, Calif. (5/25)**
May 4 filed $30,000,000 of subordinated (convertible) debentures due May 1, 1980. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Blyth & Co., Inc. and Hornblower & Weeks, both of New York.

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.

Marble Canyon Uranium, Inc.
Feb. 4 (letter of notification) 20,900,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—587 — 11th Ave., Salt Lake City, Utah. **Underwriter**—Potter Investment Co., same city

★ **Maryland Casualty Co., Baltimore, Md.**
May 5 filed 103,629 shares of common stock (par $1) to be issued only upon exercise of options which have been or will be issued by company without cash consideration, to certain officers and other key employees of company and its subsidiaries under company's incentive stock option plan.

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.

★ **McIntosh Laboratory, Inc.**
May 3 (letter of notification) 1,000 shares of common stock (par $10). **Price**—$18.50 per share. **Proceeds**—For working capital. **Office**—320 Water St., Binghamton, N. Y. **Underwriter**—None.

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.

Mehadrin Plantations, Inc., New York
April 28 filed 70,000 shares of common stock (par $10). **Price**—$10.75 per share. **Proceeds**—For acquisition of additional groves and working capital and other general corporate purposes. **Business**—Production and sale of citrus fruits in State of Israel; also plans to grow subtropical fruits. **Underwriter**—None.

★ **Members Merchandise Mart, Inc., Houston, Tex.**
April 15 (letter of notification) 24,000 shares of class B common stock. **Price**—At par ($5 per share). **Office**—2420 Bissonet St., Houston 5, Tex. **Underwriters**—None.

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.

★ **Midwestern United Life Insurance Co.**
April 14 (letter of notification) 75,000 shares of common stock to be offered for subscription by stockholders on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For capital and surplus. **Office**—229 West Berry St., Fort Wayne, Ind. **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.

★ **Mineral Mountain Mining & Milling Co.**
April 19 (letter of notification) 90,000 shares of common stock (no par). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—424 Title & Trust Bldg., Phoenix, Ariz. **Underwriter**—None.

★ **Minneapolis-Honeywell Regulator Co. (5/25-26)**
May 5 filed 160,000 shares of cumulative convertible preference stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding debentures. **Underwriter**—Union Securities Corp., 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.

Mojave Uranium Co., Salt Lake City, Utah
April 13 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office** — 130 S. 13th East St., Salt Lake City, Utah. **Underwriter** — Peters, Writer & Christensen, Inc., Denver, Colo.

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.

★ **Multi-Minerals Corp., Salt Lake City, Utah**
May 5 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter** — M. Raymond & Co., Inc., New York.

★ **National Credit Corp., Phoenix, Ariz.**
May 6 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital. **Underwriter**—None.

National Rural Electric Cooperative Association, Washington, D. C.
April 22 filed $720,000 of 2½% first trust notes. **Price**—At par (in multiples of $1,000). **Proceeds**—For construction of new headquarters building. **Underwriter**—None, notes to be offered through officials to member systems.

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.

● **North Penn Gas Co., Port Allegany, Pa.**
April 29 filed 419,000 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To John Fox of Boston, Mass., who is the selling stockholder. **Underwriter**—To be named later (may be Eastman, Dillon & Co. and Allen & Co., both of New York).

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.

★ **Old Faithful Uranium, Inc., Casper, Wyo.**
April 22 (letter of notification) 4,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—300 Consolidated Royalty Bldg., Casper, Wyo. **Underwriter**—E. L. Aaron & Co., New York.

★ **Pacific Alaskan Land & Livestock Co.**
April 14 (letter of notification) 2,992 shares of common stock (par 25 cents), 2,992 shares of 7% non-cumulative preferred stock (par $100) and 1,200 investment contracts. **Proceeds**—For purchase of cattle, operating expenses, etc. **Office**—Fairbanks, Alaska. **Underwriter**—None. Cline S. Koonz, President will handle sale.

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.

★ **Penn-Dixie Cement Corp. (5/26)**
May 6 filed 361,282 shares of capital stock (par $1) to be offered for subscription by stockholders of record May 25 on the basis of one new share for each six shares held; rights to expire on June 10. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for working capital. **Underwriter**—Dominick & Dominick, New York.

Peoples Finance Corp., Denver, Colo.
May 2 filed 50,000 shares of 60-cent cumulative convertible preferred stock (par $5). **Price**—$10 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Paul C. Kimbal & Co., Chicago, Ill.

★ **Peoples Gas Light & Coke Co. (6/3)**
May 9 filed 111,836 shares of capital stock (par $100) to be offered for subscription by stockholders of record June 2 at the estimated rate of one additional share for each ten share held (with an oversubscription privilege); rights to expire on June 24. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, acquire additional stock of Peoples Production Co. and for general corporate purposes. **Office** — Chicago, Ill. **Underwriter**—None.

Peruvian Oils & Minerals, Ltd., Toronto, Can.
April 27 filed 225,000 shares of capital stock (par $1). **Price**—To be supplied by amendent. **Proceeds**—For exploration and development work and working capital. **Underwriters**—Doolittle & Co., Buffalo, N. Y. and Davidson Securities, Ltd., Toronto, Canada.

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.

Pioneer Mortgage & Development Corp.
April 27 filed 300,000 shares of common stock (par $1), with warrants attached entitling the holder to purchase one additional share at prices ranging from $13 to $20 depending upon the exercise date. **Price**—$10 per share "as a speculation." **Proceeds**—For working capital and general corporate purposes. **Office**—Houston, Tex. **Underwriter**—None.

Poly-Seal Corp. (N. Y.)
April 27 (letter of notification) 40,000 shares of capital stock (par 10 cents). **Price**—$3.37½ per share. **Proceeds**—For machinery acquisition, mold construction, inventory purchases and other general corporate purposes. **Office**—405 Lexington Ave., New York, N. Y. **Underwriter**—None.

● **Pomona Tile Manufacturing Co. (5/16)**
April 25 filed 120,928 shares of common stock (par $1). **Price**—Expected to be $5 per share. **Proceeds**—To retire bank loan and for general corporate purposes. **Underwriter**—Crowell, Weedon & Co., Los Angeles, Calif.

● **Potomac Electric Power Co. (5/23)**
May 2 filed $10,000,000 of first mortgage bonds due 1990. **Proceeds**—To repay $3,000,000 bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Dillon, Read & Co., Inc. and Johnston, Lemon & Co. (jointly). **Bids**—Expected to be received on May 23.

● **Potomac Electric Power Co. (5/23)**
May 2 filed 511,660 shares of common stock (par $10) to be offered for subscription by common stockholders of record on or about May 23, 1955 on the basis of one new share for each 10 shares held; rights to expire on June 7. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Dillon, Read & Co. Inc., New York; and Johnston, Lemon & Co., Washington, D. C.

● **Precision Radiation Instruments, Inc. (5/16-20)**
April 28 filed 225,000 shares of common stock (par 50 cents), of which 165,000 shares are to be offered for account of company and 60,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of real property and other new plant facilities; and for working capital. **Office**—Los Angeles, Calif. **Underwriter** — Dempsey-Tegeler & Co., St. Louis, Mo.

● **Progress Manufacturing Co., Inc. (5/23-27)**
April 29 filed 200,000 shares of common stock (par $1), of which 122,053 shares are to be offered for account of company and 77,947 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Office**—Philadelphia, Pa. **Underwriters**—Blair & Co. Incorporated and Emanuel, Deetjen & Co., both of New York.

● **Public Service Co. of New Hampshire (5/24)**
May 4 filed 413,016 shares of common stock (par $5) to be offered for subscription by common stockholders of record about May 24 on the basis of one new share for each six shares held; rights to expire on or about June 9. Employees to be offered right to subscribe for up to 10,000 unsubscribed shares. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and Blyth & Co., Inc., both of New York.

Public Service Co. of Oklahoma (5/17)
April 20 filed 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—For property additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co. **Bids**—To be received up to 10:30 a.m. (CDT) on May 17 at 20 No. Wacker Drive, Chicago 6, Ill.

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 Electric Co., North Bergen, N. J.**
May 3 filed 75,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For new facilities, equipment and machinery and working capital. **Underwriter**—S. D. Fuller & Co., New York.

Pyramid Electric Co., North Bergen, N. J.
May 3 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter** — S. D. Fuller & Co., New York.

★ **Republic Indemnity Co. of America**
April 19 (letter of notification) 45,454 shares of common stock (par $2). **Price**—$6.60 per share. **Proceeds**—For general corporate purposes. **Office**—1238 N. Highland Ave., Los Angeles, Calif. **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.

★ **Rheem Manufacturing Co. (5/24)**
May 9 filed 400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Bethlehem Steel Corp., the selling stockholder. **Underwriters**—Blyth & Co., Inc., Kuhn, Loeb & Co. and Smith, Barney & Co.

Riegel Paper Corp.
April 13 filed 190,960 shares of common stock (par $10), being offered for subscription by common stockholders of record May 3 on a one-for-four basis; rights to expire May 18. **Price**—$23 per share. **Proceeds**—To redeem presently outstanding preferred stock 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.

★ **Robinson Aviation, Inc., Teterboro, N. J.**
May 6 filed 100,000 shares of commonstock (par 20 cents), of which 40,000 shares are for account of company and 60,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To redeem 5% cumulative preferred stock and for research and development activities and expansion of facilities. **Underwriter**—Homer O'Connell & 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.

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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.

★ **Sanders Associates, Inc., Nashua, N. H.**
April 14 (letter of notification) 2,000 shares of class A common stock to be offered to employees. **Price**—$14 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—137 Canal St., Nashua, N. H. **Underwriter**—None.

Saxon Uranium Mines Ltd., Toronto, Canada
April 29 filed 1,500,000 shares of common stock (par $1). **Price**—40 cents per share. **Proceeds**—For exploration and working capital; also to repay advances and other liabilities. **Underwriter** — Degaetano Securities Corp., New York.

● **Schmieg Industries, Inc., Detroit (5/16)**
April 26 (letter of notification) 99,880 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—For working capital. **Underwriters**—S. D. Fuller & Co. and Vermilye Brothers, both of New York.

Scholz Homes, Inc., Toledo, Ohio
April 14 filed 180,000 shares of common stock (par $1). **Price**—Expected to be $5 per share. **Proceeds**—To prepay notes; to establish and equip new plant; and for inventories and working capital. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

Shield Chemical Corp.
April 19 (letter of notification) 182,211 shares of common stock (par 7½ cents). **Price**—$1.50 per share. **Proceeds**—For working capital, etc. **Office** — 251 Grove Ave., Verona, N. J. **Underwriter**—None.

★ **Shoni Uranium Corp., Riverton, Wyo.**
April 21 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds** — For mining expenses. **Address** — Box 489, Riverton, Wyo. **Underwriter** — Melvin F. Schroeder, Denver, Colo.

Sightmaster Corp., New Rochelle, N. Y.
April 19 (letter of notification) 165,000 shares of common stock (par five cents). **Price**—At market (about 30 cents per share). **Proceeds** — To Michael L. Kaplan, President and Treasurer. **Business**—Electronic products. **Underwriter**—None.

Silver Creek Precision Corp. (6/2)
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.

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. **Underwriters**—J. P. Marto & Co., Boston, Mass.; Boenning & Co., Philadelphia, Pa., and First New Hampshire Corp., Concord, N. H.

Sonoma Quicksilver Mines, Inc.
April 27 filed 800,000 shares of capital stock (par 10 cents), of which 80,000 shares are to be initially offered to public. **Price**—To be fixed on the basis of the market value at the time of their first sale or $1 per share, which ever is lower. **Purpose** — To increase facilities and invest in other quicksilver properties; and for working capital. **Office**—San Francisco, Calif. **Underwriter**—Norman R. Whittall, Ltd., Vancouver, B. C., Canada.

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; rights to expire on June 14. **Price**—At principal amount. **Proceeds**—To retire short term bank loans and for new construction. **Underwriter**—None.

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.

★ **Standard Oil Co. (Indiana)**
May 9 filed 700,000 shares of capital stock (par $25) to be offered to key employees of company and its subsidiaries as have been or may in future be granted options pursuant to incentive stock option plan.

● **Stewart Oil & Gas Co. (5/23)**
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.

Texas Instruments Inc.
April 13 filed 165,945 shares of 4.48% convertible preferred stock (par $25), being offered for subscription by common stockholders of record 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**—$25 per share. **Proceeds**—To repay bank loan for expansion and working capital. **Underwriter**—Morgan Stanley & Co., New York.

Texas State Petroleum, Inc., Alice, Texas
April 18 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For oil and gas activities. **Office**—Fitzsimmons Bldg., Alice, Tex. **Underwriter**—R. V. Klein Co., New York.

Texboard, Inc., Dallas, Texas
Jan. 17 filed $1,500,000 of 6% series A debentures due serially from Feb. 1, 1957 to Aug. 1, 1961, and $1,000,000 of 6% series B convertible debentures due serially from Feb. 1, 1962 to Aug. 1, 1966. **Price**—To be supplied by amendment. **Proceeds**—To construct and operate a manufacturing plant near Orange, Tex., for the purpose of manufacturing insulation building products. **Underwriter**—Emerson Cook Co., Palm Beach, Fla.

Tip Top Uranium & Oil, Inc., Denver, Colo.
Feb. 1 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—1122 Mile High Center, Denver 2, Colo. **Underwriter**—Robert W. Wilson, 1717 East Colfax Ave., Denver, Colo.

● **Trav-Ler Radio Corp., Chicago, Ill. (5/19)**
April 27 filed $1,250,000 of 12-year 6% sinking fund debentures due May 15, 1967 (with detachable 12-year common stock purchase warrants), of which $1,100,000 to be offered publicly and $150,000 to officers and employees. **Price**—To be supplied by amendent. For each $500 debenture, the purchaser will receive warrants for the purchase of 50 common shares at $4 per share, exercisable until May 15, 1967. **Proceeds** — To repay bank loans; for loan of $170,000 to Orleans Mfg. Co., a wholly-owned subsidiary, to repay its bank loan; and for working capital. **Underwriters** — Lee Higginson Corp., New York; and Straus, Blosser & McDowell, Chicago, Ill.

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. Oil Co., Las Vegas, Nev.**
April 11 (letter of notification) 250,000 shares of common stock and 50 participating royalty interests. **Price**—For stock, at par ($1 per share), and for royalty interests, $1,000 each. **Proceeds**—For oil drilling, etc. **Office**—107 Fremont St., Las Vegas, Nev. **Underwriter**—None, securities to be offered through officers and directors.

★ **Universal Beverages, Inc., Denver, Colo.**
April 26 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To buy product from Real Fresh Milk, Inc., and for general corporate purposes. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Universal Finance Corp., Dallas, Texas
Feb. 16 (letter of notification) 27,000 shares of 70-cent cumulative preferred stock (no par) and 27,000 shares of common stock (par 15 cents) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds** — For working capital. **Underwriter** — J. F. Perkins & Co., Dallas, Texas.

Uranium 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.

Uranium Prince Mining Co., Wallace, Ida.
April 18 (letter of notification) 1,750,000 shares of common stock. **Price** — 10 cents per share. **Proceeds**—For mining operations. **Address** — Box 709, Wallace, Ida. **Underwriter**—Wallace Brokerage Co., same city.

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 latter part of May.

★ **Verson Allsteel Press Co., Chicago, Ill.**
April 12 (letter of notification) 60,000 shares of cumulative preferred stock to be offered for subscription by employees. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Office**—1355 East 93rd St., Chicago, Ill. **Underwriter**—None.

★ **Virginia Electric & Power Co. (6/7)**
May 5 filed $25,000,000 first and refunding mortgage bonds, series L, due June 1, 1985. **Proceeds**—For construction program. **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. (5/25)**
May 5 filed $8,000,000 of refunding mortgage bonds due 1980. **Proceeds**—For payment of $2,255,000 of long-term debt and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Union Securities Corp. **Bids**—Tentatively expected to be received on May 25.

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) being offered in exchange for 124,165 shares of class A and class B capital stock of Excalibur Uranium Corp. on basis of one Western share for each 6.6 shares of Excalibur stock held; offer to expire on June 15. **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) being offered for subcription 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 Nebraska Oil & Uranium Co., Inc. (5/23)**
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.

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. **Office**—611-850 West Hastings St., Vancouver, B. C., Canada. **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.

● **Wisconsin Power & Light Co. (5/23)**
May 4 filed 263,140 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 16 on the basis of one new share for each 10 shares held. Unsubscribed shares to be offered to employees. Rights to expire on June 7. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Smith, Barney & Co., New York; and Robert W. Baird & Co., Inc., Milwaukee, Wis.

● **Wisconsin Power & Light Co. (5/23)**
May 4 filed 30,000 shares of new cumulative preferred stock (par $100) to be first offered for subscription by preferred stockholders of record May 16 and employees of company; rights to expire on June 7. **Price**—To be supplied by amendment. **Proceeds**—To redeem presently outstanding preferred stock, for payment of bank loans and construction program. **Underwriters**—Smith, Barney & Co., New York; and Robert W. Baird & Co., Inc., Milwaukee, Wis.

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.

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.

Prospective Offerings

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 Machine & Foundry Co.**
May 4 it was announced company plans to offer to its stockholders some additional common stock on a 1-for-10 basis (at March 31, 1955 there were outstanding 2,378,787 shares.) **Price**—To be announced later. **Proceeds**—For expansion and working capital. **Underwriter** — Union Securities Corp., New York.

★ **American Machinery Corp., Orlando, Fla.**
May 9 it was announced company plans to offer to stockholders of record May 18 the right to subscribe for 2,337,000 shares of capital stock on a 5-for-1 basis. **Price**—At par (20 cents per share). **Proceeds**—To retire debt and for working capital. **Underwriter** — None, but American Pacrite Corp., majority stockholder, will buy unsubscribed shares.

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.

Artloom Carpet Co., Inc.
April 27 it was announced directors have authorized a common stock subscription offer (about 98,170 no par shares) to its stockholders on the basis of one new share for each four shares held. **Price**—$5 per share. **Proceeds**—To repay bank loans.

★ **Baltimore Gas & Electric Co.**
May 6 it was announced company plans to offer about 575,000 additional shares of common stock for subscription by common stockholders on a 1-for-10 basis. Unsubscribed shares to be offered to employees, excluding officers. **Registration**—Statement now being prepared. **Offering**—Expected in June.

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.

Bliss (E. W.) Co.
April 26 stockholders increased the authorized common stock (par $1) from 1,000,000 shares to 1,500,000 shares. **Underwriter**—Previous financing was handled by Allen & Co., New York.

Bridgeport Hydraulic Co.
March 7 it was reported company plans to offer 22,688 additional shares of common stock (no par) to its stockholders on a 1-for-8 basis. **Underwriter**—Smith, Ramsay & Co., Inc., Bridgeport, Conn. **Offering** — Expected in June.

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 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). **Meeting**—Stockholders will vote May 11 on increasing the authorized common stock from 3,250,000 to 3,500,000 shares. **Offering**—Probably in September.

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
April 27 stockholders voted to increase the authorized capital stock (par $10) from 120,000 shares to 130,000 shares. The additional 10,000 shares are being 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. **Underwriter**—None.

Coal Operators Casualty Co., Greensburg, Pa.
April 25, it was announced capital and surplus would soon be increased to more than $3,500,000 and name changed to Old Republic Insurance Co. **Underwriter**—May be The First Boston Corp., New York.

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.

Daitch Crystal Dairies, Inc.
April 28 stockholders approved a proposal to increase the authorized common stock (par $1) from 500,000 shares to 1,000,000 shares to provide for future financing and expansion. **Underwriter**—Hirsch & Co., New York.

Detroit Edison Co.
May 2 stockholders approved a proposal 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 21 stockholders approved an offering of 58,000 shares of additional capital stock (par $10) on basis of one new share for each five share held as of April 28, 1955; rights to expire on May 20. **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 not until "latter part of 1955, if then."

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.

● **Hammermill Paper Co.**
May 10 stockholders approved a proposal on increasing the debt authority to $20,000,000. **Underwriter**—A. G. Becker & Co. (Inc.), Chicago, Ill.

★ **Hupp Corp.**
May 6 it was announced stockholders will note May 13 on increasing authorized capital stock from 3,000,000 to 4,200,000 shares (200,000 of such increased shares shall be (new) serial preferred stock, $50 par value and 1,000,000 shares shall be common stock, $1 par value); also waiving of preemptive rights to such increased shares.

● **Idaho Power Co.**
April 22 the company applied to the Federal Power Commission for authority to issue and sell 15,000 shares of cumulative preferred stock (par $100) and requested exemption from competitive bidding. **Proceeds** — For construction program. **Underwriter** — Blyth & Co., Inc. **Offering**—Expected early in June.

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, Washington, D. C.
April 25 it was announced company, in addition to placing privately an issue of $500,000 convertible debentures in the next few weeks, will offer additional convertible debentures to shareholders, probably sometime in the Autumn of this year. **Office**—726 Jackson Place, N. W., Washington, C. D. **Business**—Industrial merchant bankers.

International Breweries, Inc.
April 27 it was announced 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.

Investors Group Canadian Fund Ltd.
April 28 it was announced early registration is expected of 20,000,000 shares of common stock (par $1). **Price**—To be initially offered at $5.41 per share. **Proceeds**—For investment. **Office**—Winnipeg, Canada. **Distributor**—Investors Diversified Services, Inc., Minneapolis, Minn.

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.

Jerrold Electronics Corp., Philadelphia, Pa.
April 25 it was reported company plans to sell $2,750,000 of 6% convertible debentures and 200,000 shares of common stock some time in the near future. **Underwriters**—Van Alstyne, Noel & Co., New York; and Butcher & Sherrerd, Philadelphia, Pa.

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.

Kansas City Power & Light Co.
April 28 the directors authorized an offering this Summer of approximately 245,000 shares of common stock to stockholders on a 1-for-10 basis. **Proceeds** — For construction program. **Underwriters**—Blyth & Co., Inc., and First Boston Corp.

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.

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.

Long Island Lighting Co.
April 23 it was announced company plans to sell an issue of about $15,000,000 first mortgage bonds, series H, due 1985. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); W. C. Langley & Co.; Smith, Barney & Co.; Baxter, Williams & Co. **Offering**—Expected late in 1955.

Lucky Stores, Inc.
April 20 stockholders approved a proposal to increase the authorized common stock (par $1.25) from 1,000,000 shares to 2,000,000 shares (there are 804,063 shares outstanding). It was reported previously that the company proposed to raise approximately $1,500,000 through the sale of 150,000 shares. However, no immediate financing is planned. **Underwriter**—Probably Blair & Co. Incorporated, New York.

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.

★ **Merchants National Bank of Boston (6/9)**
May 7 it was announced the company plans to offer to stockholders of record June 9 the right to subscribe for 50,000 additional shares of capital stock (par $10) in the ratio of one new share for each six shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus.

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.

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Murphy (G. C.) Co., McKeesport, Pa.
April 12 stockholders approved a proposal to increase the authorized limit of indebtedness from $3,000,000 to $20,000,000. **Proceeds**—For expansion program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York, handled preferred stock financing in 1942.

National Co., Inc., Malden, Mass.
March 29 stockholders increased authorized common stock (par $1) from 300,000 shares (260,100 shares outstanding) to 400,000 shares. Joseph H. Quick, President, said it is contemplated that some financing will be arranged during 1955 to provide additional capital in connection with the current expansion program. **Underwriter**—Probably A. C. Allyn & Co. Inc., New York.

● **National Newark & Essex Banking Co.**
May 9 stockholders approved a proposal to offer to stockholders 28,880 additional shares of capital stock (par $25) on basis of one new share for each eight shares held on May 19; rights to expire on June 14. **Price**—To be named later. **Proceeds**—Expected to be about $2,000,000—to increase capital and surplus. **Underwriter**—Clark, Dodge & Co., New York.

National Telefilm Associates, Inc., New York
May 2 it was reported company plans to issue and sell 312,500 shares of common stock. **Underwriter**—Charles Plohn & Co., New York. **Registration**—Expected around May 16.

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 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.

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.

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.

★ **Pacific Telephone & Telegraph Co.**
May 7, it was reported that the company expects later this year to make an offering of additional stock to stockholders, following approval of a proposal to increase the authorized capital stock from 8,500,000 shares (7,215,180 shares outstanding) to 10,500,000 shares.

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.

Pennsylvania Power & Light Co.
April 19, Charles E. Oakes, President, announced that company plans this year to issue and sell $15,000,000 of first mortgage bonds and use the proceeds for its construction program. Previous bond financing was arranged privately through Drexel & Co. and The First Boston Corp.

★ **Pepsi-Cola General Bottlers, Inc., Chicago, Ill.**
May 6 it was announced company plans to offer publicly 200,000 shares of common stock (par $1). **Proceeds**—To retire bank loans and for expansion program. **Underwriters**—Straus, Blosser & McDowell and Link, Gorman, Peck & Co., both of Chicago, Ill.

★ **Pioneer Natural Gas Co.**
May 4 it was reported a secondary distribution of 850,000 shares is being prepared for registration with SEC. **Underwriter**—Union Securities Corp., New York.

Public Service Co. of Colorado (6/1)
April 27 it was announced company plans to register with the SEC 303,010 shares of common stock, of which 275,464 shares are to be offered for subscription by common stockholders on a 1-for-10 basis; and 27,546 shares are to be offered to employees. **Proceeds**—For construction program. **Underwriters**—The First Boston Corp., New York; and Boettcher & Co. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo., underwrote previous common stock offer. **Registration** — Expected in the near future.

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.

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.

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 to issue and sell to the public 500,000 additional shares of common stock (par $5). **Proceeds**—To repay bank loans and for investment in additional stock of subsidiary companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Ladenburg, Thalman & Co., Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Blyth & Co., Inc., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively scheduled for Nov. 9. **Registration**—Not expected until Oct. 12.

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. (6/7)
May 3 company sought SEC authorization 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. **Bids** — Expected on June 7. **Registration**—Planned for May 16.

Southwestern States Telephone Co.
April 25 company applied to the Arkansas P. S. Commission for authority to issue and sell 40,000 shares of cumulative preferred stock (par $25). **Proceeds** — Together with funds from proposed issue (probably privately) of $2,000,000 first mortgage bonds, to be used for construction program. **Underwriter** — Central Republic Co. (Inc.), Chicago, Ill.

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.

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.
April 26 stockholders approved 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.
April 28 directors of Electric Bond & Share Co. approved a distribution of rights to its stockholders to purchase 525,036 shares of common stock (par $10) at rate of one share of United Gas stock for each 10 shares of Bond and Share stock. **Price**—To be announced later. **Proceeds**—To selling stockholder. **Underwriter**—To be determined by competitive bidding. Probable bidders—Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; Goldman, Sachs & Co.; Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Offering**—Expected in June.

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.

Westcoast Transmission Co., Ltd.
April 25 it was reported company now plans to issue and sell publicly about $20,000,000 of securities, probably in units of notes and stock. Bonds are expected to be placed privately. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Expected in July.

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.

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.

Our Reporter's Report

Underwriters, unless they happen to be fortunate enough to find themselves handling an offering via the negotiated route, still are not finding much to cheer about.

When it comes to deals captured through the medium of competitive bidding or the "suicide route" as it is rapidly coming to be known around the Street, the going is anything but pleasant.

Its fight all the way and not infrequently, at least since the turn of the year, things reach the point where it is the better part of valor to "break" the syndicate agreement and let a given issue find its free market level.

There is demand around, no question about that. But it is pretty much set at definite price levels and reflects the views of those with funds to invest rather than those with offerings for sale.

By way of illustrating this point, market observers call attention to several recent experiences. One the Philadelphia Electric Co.'s recent offering brought out on a 3.12% yield basis. That issue was slow and upon being turned loose dipped to a 3.17% yield basis being well-absorbed and moving back about half the distance lost.

The same, it was noted, held true of Gulf, Mobile & Ohio Ry. 5s offering of a few weeks back. Brought out on a 3.40% basis, that issue, upon dissolution of the syndicate, slipped to around a 3.52% basis, but has since scored about 50% recovery of its loss.

Bankers took down $12,000,000 of first mortgage, 30-year bonds of the Georgia Power Co. early this week and proceeded to reoffer at a price of 101.03 for an indicated yield of 3.32%. There was a broad smattering of small demand for the bonds.

Corporate Shelves Clear

With bankers' and dealers' shelves literally bare of any accumulations from recent offerings, the underwriting fraternity finds the forward calendar still on the thin side.

Such remnants, and some of them were sizable, from earlier offerings, cleared away rapidly when the issues involved were cut loose to find their own ways.

Current New Business

Judging by preliminary inquiry around, it was indicated that the forthcoming offering of $30,000,000 of convertible subordinated debentures of the W. R. Grace & Co. is, in Street parlance, "hotter than a pistol," this issue is slated for next week and is being done on a negotiated basis.

Aside from the W. R. Grace offering, the only substantial piece of business in sight for next week is Ohio Edison Co.'s projected offering of $30,000,000 of 35-year first mortgage bonds which will be up for bids on Tuesday. In view of general conditions the competition here could be keen.

Several Large Ones Ahead

A fortnight hence things promise to be a bit livelier in the new issue market what with several relatively large offerings up for bids and a substantial negotiated deal on the list.

Largest by far is Detroit Edison Co.'s projected $60,000,000 of 25-year general and refunding mortgage bonds being sold to fund bank loans and finance new construction.

Adding a bit of spice is Lockheed Aircrafts offering of $30,000,000 convertible subordinated debentures, being handled by negotiation, and designed to provide funds for general corporate purposes.

Potomac Electric Power has $10,000,000 of bonds due up during the week, with Alabama Power slated to open bids for $15,000,000 of new bonds.

Re-Mark Chemical Co. Offering Completed

The Re-Mark Chemical Co., Inc., Miami, Fla., has offered and sold an issue of 164,525 shares of its 10% cumulative class A participating preference stock (par $1) at $1.25 per share. The offering was made through Paul H. Marks, Secretary of the company, who also acted as underwriter.

After payment of annual dividends of 10 cents per share, the preference stock, will share in any further dividends equally per share with the holders of the class B stock.

The net proceeds are to be used to retire loans and second mortgage, repurchase of accounts receivable, to establish two ammonia storage plants with equipment and to increase inventory.

The company was incorporated in Florida on Jan. 29, 1946 for the principal purpose of engaging in the manufacture and distribution of agricultural insecticides packaged for the nurseryman and the home gardener. The principal office of the company is at 64 N. E. 73rd St., Miami, Fla.

With the building of the agricultural dust manufacturing and blending plant in 1952, the company entered into the bulk agricultural insecticide and spray concentrate field.

Giving effect to the present financing, the company has outstanding $92,000 of 6% debenture bonds due Feb. 1, 1965; 240,000 shares of class A participating stock and 191,000 shares of 10-cent par value class B common stock.

Peter Morgan Offers Luckytex Uranium Stk.

Peter Morgan & Co., New York, is offering publicly as a speculation an issue of 299,400 shares of capital stock (par one cent) of Luckytex Uranium Co., Dallas, Texas, at $1 per share.

It is the present intention of the Luckytex Company to use the net proceeds to pay for exploratory drilling; purchase and maintenance of equipment; exploration drifts and underground development; for working capital; and for other corporate purposes.

The company was incorporated in Delaware on Sept. 13, 1954, to engage in the business of exploring for, acquiring and developing uranium mining properties. Its executive offices are located at 3301 Worth St., Dallas, Texas, and its field office is located in Moab, Utah.

The company was organized by Old Texas Mining Co. to acquire, finance, explore and operate certain mining claims and leases owned by Old Texas which Old Texas transferred to Luckytex. Old Texas is a Texas corporation which has been engaged in the purchase, sale and exploration of uranium mining claims and leases since 1953.

Giving effect to the present financing, the company will have outstanding 1,248,900 shares of capital stock.

Bache, Geneva Branch

Bache & Co., members of the New York Stock Exchange and other leading stock and commodity exchanges, announce the opening of a new office in Geneva, Switzerland. The new branch is under the management of Raymond Odier, who has been associated with the brokerage industry in Switzerland for many years.

Opening of the Geneva office brings to four the number of foreign branches operated by Bache & Co. Directly operated offices are located in London, England; Toronto, Canada, and Geneva, while a service affiliate is maintained in Paris, France.

Schapiro With Josephthal

BROOKLYN, N. Y.—Josephthal & Co., members of the New York Stock Exchange, announce that Irving Schapiro is now associated with the firm as co-manager of their new and larger Brooklyn, N. Y., office located at 186 Montague Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D.C.—Things can and often change, but unless they do at the last minute, the Eisenhower Administration is reported by persons who should be in a position to know, as ready to plump for standby wage, price, credit controls, and rationing powers.

Furthermore, these standby controls would not be limited to a clear case of attack or all-out war, but would be triggered by "war or other emergency." The upper level bureaucrats, who have been working unremittingly for controls, have tentatively won the field. It is even said that two hold-outs in the Cabinet have capitulated, and the Cabinet "unanimously" approved this.

These controls would come about as part of the extension of the Defense Production Act, which ordinarily should be a routine matter, for the vestiges of controls under that act currently in use are not a major issue. It has puzzled the two Banking committees, which have jurisdiction over the legislation, that the White House had not as recently as last week-end shot up a request for the continuance of these controls, because they expire June 30.

The reason for the delay has been, of course, the intramural fight which has been going on within the Administration as to whether they love or love them not, the standby controls. If the possibility of such controls had not been considered most seriously, the routine request would have gone up much sooner.

May Back Inferentially

There are two ways this project could be sprung. One is by the customary White House request, either in a full-dress message to Congress or in letters from the President to the Vice-President and Speaker.

A second approach would be to find a "sponsor" in Congress and get him to introduce the Administration bill. As is the custom in such cases, a question would be "planted" with one of the Eisenhower stooge correspondents, and at the press conference the President would say he endorsed what his followers in Congress proposed. Afterward, the heat would be put on quietly for the bill.

The latter has the advantage of finesse. The open message would cause the Democrats to guffaw about the President contradicting himself and taking credit, as he did in 1953 and 1954, for ending controls as well as bringing about the "honorable peace" in Korea.

It also was indicated that the play may not come until the first week in June. If so, this in the opinion of the strategists who plan it, would be very cute. With only about three weeks to go until the end of the DPA, Congress wouldn't have too much time to fuss about it, what with their finishing up with appropriations and arranging junkets all over the world to keep them from going back and buying drinks and meals for the constituents at home after the session.

Democrats Control

Whether standby controls will pass or not, will depend entirely on what the Democrats determine. The more Eisenhower moves to the left side of his "middle of the road," the deeper into the left hand ditch the Democrats crouch. It doesn't follow, however, that on doctrinaire grounds the Democrats will swallow this particular dead fish. They might just come up with the answer that controls are not popular and maybe they could profit by opposing them.

Certainly the minority of genuinely conservative Republicans are in no position, demoralized as they are by Eisenhower's left wing programs, themselves to stop this. And both Banking committees, which have jurisdiction, are preponderantly stacked with men way over in left field.

Propose Broad Terms

Those who have seen the purported standby controls program say that it offers big globs of undefined power in the best Rooseveltian style. The President would have power not only to order standby price, wage, and rent controls, but could institute rationing.

Furthermore, the President would be given broad power over credit. This power would be sufficiently broad not only to reinstate curbs on consumer and real estate credit, but would even permit the President, if he were so moved, to try to control interest rates.

As a matter of fact, the program is said to plan on the first use of credit controls, especially if the "or other emergency" is not sufficient to warrant wage, price, and rent controls.

Labor may raise a public fuss for the record about standby wage controls, but will offer little serious opposition, it is expected. Past use of controls only demonstrated that it took a little more time and gobbledegook to justify breaching wage ceilings for union labor, and that "wage controls" also ushered in the wonderful new modern world of fringe benefits.

Seek Oil Imports Held at 14%

If oil imports exceed 14% of consumption, they will be cut back to that ratio. That is the understanding of well-placed oil men. The President's fuel policy committee said that imports should be held to the "present ratio" to domestic consumption, 14% at the time the committee reported. In conjunction with the President's commitment to curb imports if they were so large as to endanger national security, an alleged commitment to hold them to 14% was said to have been obtained. The only question is how this will be worked out mechanically if the ratio of imports to consumption rises. Presumably it will be by voluntary means, via importers.

From a Wise Byrd

Senator Harry F. Byrd (D. Va.), the one man in Congress who will not relent in stressing the need for a balanced budget, stated his case in probably the most forceful language yet in his address last week to the convention of the Chamber of Commerce of the U. S.

In the course of his remarks, the Senator sought to demolish some accepted fiscal illusions.

"It is well for everyone to understand that there is no such thing as a Federal grant," the Senator observed. "All the money comes from the citizens in the states. The money goes to Washington and there it is subject to deductions for Federal administration. This money then goes back to the states less deductions, and the Federal Government tells us how to spend our own money."

Senator Byrd summarized both the "cash budget" and "capital budget" plans.

The cash budget, he explained, was a proposal that the Government pay its routine bills "with the savings of the people who entrusted protection of their old age and unemployment to the guardianship of the Federal Government." He added that these are trust funds and "not a cent of these funds belongs to the Government."

Some also are advocating a "capital budget, which means that the so-called capital expenditures should not be considered as current expenditures in the budget," the Virginian noted.

"Those who advocate the so-called capital budget must start out with the fallacious assumption that the Government is in business to make a profit on its citizens. To my knowledge, the Federal Government has never made a bona fide profit on any Government operation."

Federal grants have grown in 21 years from 18 programs costing $126 million to 50 in number costing $3 billion annually, an increase of 300% in number of programs and 2,300% in cost, Senator Byrd noted.

"As to additional grants for the future, President Eisenhower proposed to open up three Pandora's boxes of new Federal 'hand-outs' to the states.

"The proposals by the President, if adopted by Congress, would be the greatest increase in grants to states yet undertaken and the longest step yet to Federal paternalism," Senator Byrd declared.

(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

"Probably jumping to conclusions but do you suppose M. T. could be trying to pack the Board with his family?"

With Taiyo Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Nobushige Hosaka is now with Taiyo Securities Company, 208 South San Pedro Street.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Bernard A. G. Taradash has joined the staff of Bache & Co., 21 Congress Street. He was previously with Keller & Co.

W. E. Rubenstein

(Special to THE FINANCIAL CHRONICLE)

LITTLETON, Colo.—William E. Rubenstein is engaging in a securities business from offices at 4265 South Santa Fe Drive.

Business Man's Bookshelf

Bank for International Settlements, 1930-1955—Roger Auboin — International Finance Section, Department of Economics and Sociology, Princeton University, Princeton, N. J. (paper), on request.

Comparison of Pension and Profit-Sharing Provisions of the Internal Revenue Codes of 1939 and 1954—Meyer M. Goldstein—reprinted from Symposium held by Federal Tax Forum—Pension Planning Company, 260 Madison Avenue, New York 16, N. Y. (paper).

Economics and Action — Pierre Mendes-France and Gabriel Ardant—Columbia University Press, 2960 Broadway, New York 27, N. Y. (cloth), $3.50.

Fire Hazards of the Plastics Industry—National Board of Fire Underwriters, 85 John Street, New York 38, N. Y. (paper), on request.

Fundamentals of Private Pensions—Dan M. McGill—Richard D. Irwin, Inc., Homewood, Illinois (cloth), $5.

Graphic Stocks—1,001 charts showing monthly highs and lows, volume of trading earnings and dividends, latest capitalization and 50 group averages for 12 years up to date on virtually every stock listed on New York Stock Exchange and American Stock Exchange—Single copy (spiral bound) $10; yearly (six revised books) $50; free sample page on request—F. W. Stephens, 87 Nassau Street, New York 38, N. Y.

Guaranteeing Your Income—F. A. Harper—reprinted from "The Freeman" — Irvington-on-Hudson, N. Y. (paper), 10 copies $1 (larger quantities on request).

Journal of the Institute of Bankers—April 1955 (containing articles on Bankers' Advances Against Produce; Late Registration of a Charge by a Company; Some Aspects of Scots Law; Opening the Account and other Problems; Recent Developments in Exchange and Exchange Control; Legal Decisions affecting Bankers)—Institute of Bankers, Lombard Street, London, E. C. 3, England.

Korean War and United States Economic Activity 1950-1952—Bert C. Hickman—National Bureau of Economic Research, 261 Madison Avenue, New York 16, N. Y. (paper), 75c.