ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 181 Number 5430 New York 7, N. Y., Thursday, May 19, 1955 Price 40 Cents a Copy

EDITORIAL

As We See It

If the matter did not carry deeper significance, the current guessing game about the intentions of President Eisenhower next year would be rather amusing. If one is ready to accept the verdict of many professional politicians and political commentators, the outcome of next year's Presidential contest will turn largely if not wholly upon what "Ike" decides to do. This sort of talk is naturally galling to a very considerable number of influential members of the Republican party who regard General Eisenhower much less a Republican than a Democrat or something else. A few have even gone so far as to say that the party could win next year without "Ike," but there is no ring of conviction in their voices when they speak in this way. They, or some of them at least, thoroughly dislike the General, but they want their party to win, and, whether they admit it freely or not, they believe that it needs a coattail to ride on in 1956.

There are certain hardy Democrats who shout from the house tops that there are far more Democrats in the country than Republicans, and that their party could win the Presidency next year regardless of any decision of the present incumbent of the White House about becoming a candidate to succeed himself. Wish is father to this thought, doubtless, in a number of instances, although quite probably there are some members of the party who sincerely believe (or hope) that such is the fact of the matter. However all this may be, it can be said with something very near certainty that few if any Democrats would feel much regret if their candidate for the Presidency (and, for that matter, candidates for many of the

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A Balanced Budget —No. 1 Problem

By HON. HARRY F. BYRD*

U. S. Senator from Virginia
Chairman, Senate Finance Committee

Veteran Virginia Senator and Finance Committee Chairman stresses need of the nation to resume a pay-as-you-go policy. Scores Roosevelt "New Deal" spending policy, and points out, during last 24 years, in only three years has the Treasury collected more revenue than it spent. Decries idea that budget deficits should persist in order to maintain prosperity, and points out evils of deficit spending. Attacks broadened Federal activities and Federal grants to the States. Concludes nation can have a balanced budget if spending is not increased and taxes not reduced.

As I see it, balancing the budget without resorting to legerdemain or unsound bookkeeping methods is certainly in the category of our No. 1 problems.

Harry F. Byrd

Beginning with 1792, the first fiscal year of our Federal Government, and through 1916, Federal deficits were casual and usually paid off in succeeding years. In this 124-year period there were 43 deficit years and 81 surplus years. As late as July 1, 1914, the interest-bearing debt was less than $1 billion.

In Andrew Jackson's administration the public debt was paid off in toto, an achievement in which President Jackson expressed great pride.

It can be said for this first 124 years in the life of our Republic we were on a pay-as-you-go basis. In that period I think it can be accurately said that we laid the foundation for our strength today as the greatest nation in all the world.

Then in 1917, 1918 and 1919, World War I deficits aggregated $13 billion. Heavy current taxation in those

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*An address by Sen. Byrd at the Third General Session of the 43rd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 4, 1955.

Factors Affecting Treasury Financing

By ROBERT B. BLYTH*

Assistant to the Secretary of the Treasury

In pointing out that the proper antidote to fear of our National Debt is to understand its components, Treasury spokesman furnishes an analysis of the debt and its relative burden on the economy. Says the National Debt is too large and can be reduced safely as private enterprise takes over more of the functions now performed by government. Calls attention to refunding problems of the Treasury and the arguments for and against the conversion of short-term obligations into long-term bonds. Notes recent rise in Treasury short-term interest rates.

Most people throughout the country pay little attention to the national debt, either because they don't know much about it or because they are too busy with their own personal affairs. Many people, when they do stop to think about the debt, are afraid of it. They realize that being so far in debt is not such a good idea in their own personal finances, so they are awed when they are told that the national debt runs about $1,700 for every man, woman, and child in the country.

Robert B. Blyth

In the Treasury we approach the problem of debt management with a more positive attitude. The damage to the purchasing power of the dollar that resulted in part from the way the public debt was created and from its mismanagement in the past is behind us. That damage to purchasing power has been costly but we can live with this big public debt if we manage it intelligently. The proper antidote to fear of the debt is understanding of the debt.

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*An address by Mr. Blyth before the National Association of Mutual Savings Banks, Atlantic City, N. J., May 16, 1955. During the address, Robert P. Mayo, presented slides illustrating an analysis of the national debt.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 48.

The Security I Like Best

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

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

GEORGE F. SHASKAN, Jr.

Partner, Shaskan & Company, New York City

Members New York Stock Exchange and Other Principal Exchanges

Long-Bell Lumber Company

After five years of an almost steadily rising market it is becoming increasingly difficult to find securities which combine good present values with a favorable outlook. One such security is, I believe, Long-Bell Lumber, traded Over-the-Counter—recent price range of 20-24, down from a high of 30. (This is not to be confused with Long-Bell Lumber Corporation listed on the New York Stock Exchange. The latter is a holding Company owning approximately 51% of the stock of the subject Company.)

Geo. F. Shaskan, Jr.

The Long-Bell Lumber Company is engaged in all of the various phases of lumbering—from timbering to the sale of all types of lumber products. It is the second largest factor in the lumber industry. It has large timber stands in Oregon, California, and Washington. It owns and operates logging camps, saw mills, railroads, and extensive manufacturing facilities. It markets lumber products throughout the United States both at the wholesale and the retail levels. Overall sales have climbed from $49 million in 1946 to $88 million in 1954 (a poor lumber year) and have been as high as $102 million.

The core of any lumber company is, of course, its timber reserves. Long-Bell owns almost three billion feet. These are carried at about $5 per thousand even though the replacement market is some six to seven times this amount. Using the extremely conservative yardstick of $10 per thousand feet, Long-Bell's reserves would be worth some $30 million or $15 per share. At replacement values they come to almost $45 per share. Long-Bell is continually searching for additional timber resources — and despite heavy cutting over the past 20 years has been able to maintain its reserves at almost the same level as existed in 1935.

In addition to timber, Long-Bell owns the mineral rights under more than 400,000 acres of land. These are located as follows:

	Leased	Not Leased	Total
Alabama	1,200	5,900	7,100
Arkansas	190	76,710	76,900
Louisiana	49,750	104,150	153,900
Mississippi	15,350	41,950	57,300
Texas	14,430	107,140	121,570
	80,920	335,850	416,770

As is readily seen these lands are all in states generally associated with oil and gas production. The company has been leasing a portion of the acreage for more than a decade and in recent years has been averaging about $500,000 a year from rents and royalties. Although no substantial discoveries have been made these mineral rights could prove to be an exceedingly valuable asset in the future.

Long-Bell has an outstandingly strong financial position. There is no long-term debt or preferred stock. Capitalization consists solely of just under two million shares of common stock. The company's cash items alone are in excess of $10 million and are about equal to total liabilities. Net working capital per share is some $18—not far below present market. The current ratio is better than 4 to 1. During the past 10 years. Long-Bell has reinvested from its cash-flow earnings almost $44 per share—or twice its present price.

Long-Bell's earning record and outlook are no less exciting than its excellent asset picture. During the past 10 years the company has earned on a cash-flow basis $57 per share—or an average of $5.70 per year. Earnings after heavy depreciation and depletion during this period have averaged approximately $3.75 per share. Thus, the stock is selling at some six times average reported earnings and at only four times average cash-flow earnings.

Nineteen-fifty-four was a poor lumber year — primarily reflecting a 12-week industry strike. Long-Bell's earnings of $1.88 were the lowest since 1946. However, the outlook for this year is very favorable. The company has already reported earnings of $1.14 per share for the first three months of 1955 as against $0.41 during the comparable 1954 period. Sales for the quarter were $25 million vs. $20 million. In the absence of an unexpected sharp turndown in business activity, I am looking for earnings considerably better than $2.76 of 1953.

Dividends have been conservative — averaging $1.36 per share over the past 10 years. The company has already declared a first quarterly payment of $0.25 and I am anticipating an extra this year which should bring the total to at least $1.25. This would provide a yield of 5.4% which I consider liberal for a natural resources equity.

A comparison of Long-Bell with Weyerhaeuser Timber Company, the industry leader, emphasizes the values which I believe this security offers the investor:

(Per share)	Long-Bell	Weyerhaeuser
Current price	23	130
Average annual 10-year earnings	$3.75	$4.80
1954 dividend	1.00	3.00
10-yr. reinvested cash-flow earns.	44.00	47.00
Year-end book value	39.00	51.00

Thus, at a time when security values are increasingly more difficult to obtain, we find in Long-Bell Lumber a company with (1) large natural resources, (2) an outstanding financial position, (3) an enviable 10-year record of earnings and dividends, and (4) a very favorable outlook.

ALAN D. WHITNEY

Investment Advisor

Winnetka, Ill.

The M. A. Hanna Co.

It is seldom that one can find a security of the fine caliber of the common stock (A and B) of the M. A. Hanna Co. of Cleveland, which, at the comparatively high stock market prices generally prevailing, is still available at, or near, its true book value of about $100 per share. Such value is even conservative, in that it carries investments in new mining developments at cost, rather than at higher figures that might be warranted by reasonably anticipated earnings thereon. Of the $100 or so of admitted assets, about $85 is comparatively liquid, due to the fact that a stock portfolio of well-known listed securities is currently worth about $255 million, although carried at cost on the company's books at about $55 million. Here is a business where the tail may be wagging the dog, as dividend income exceeds operating gross and greatly exceeds operating net. Then, too, dividend income is shown only as actually received, rather than on a *pro rata* undistributed basis of its portfolio holdings. Several substantial fixed assets of the company are not yet earning what they may be reasonably expected to do in the next few years, while the company's regular operations have not been up to normal, lately. All this adds up to a much larger reportable income in the not distant future.

Alan D. Whitney

Recent Stock Record

In 1954, the company reported earnings of $4.03 per common share vs. $4.27 in 1953. Dividends were $2 per share in both years, on the 1,030,464 shares of Class B stock and the 2,060,928 shares of Class A. The two classes are identical, except that the B alone has voting power. The two issues were created in January, 1952, when the old common stock was split into one new share of B and two of A. Since the split, the market range for the stocks (which sell close to one another) has been between about 55 and 110, although earnings have remained almost unchanged.

Unusual Stock Feature

This security, traded in the Over-the-Counter Market, is comparatively unknown to the investing public, as, with over 3,000,000 shares outstanding, it has less than 2,000 stockholders. It is generally believed that the controlling interests hold over 75% of the issue, with the public owning the rest. Even on that basis, average holdings of the public must be around 300 shares, an unusually high figure. Besides the common stock, there is a small mortgage of less than $1,000,000, a preferred issue of $8,000,000 and minority

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Outlook for Housing Market: 1955-60

By GORDON W. McKINLEY*
Director of Economic Research
The Prudential Insurance Company of America

In discussing what is likely to happen to housing demand over the next five years, Dr. McKinley, though admitting data used is inadequate, analyses the situation and concludes: (1) while the economy will grow in the next five years, there is no likelihood of increase in rate of residential construction; (2) government actions to stimulate demand above the one-million starting rate can lead to boom-bust situation; and (3) a rate of more than one-million housing starts would be supportable if destruction of over-age or obsolete housing could be hastened. Points out what can be done in this direction.

Life insurance companies and mutual savings banks have a common interest in the encouragement of individual savings. Both types of institution are vitally concerned with the economic security of the American family. We are joined in our opposition to inflation, and in our advocacy of sound monetary policies. And, of course, like most other businessmen, we are interested in a prosperous, yet stable, economy. On the investment side of the business, mutual savings banks and life insurance companies are among the most important contributors to the total supply of mortgage funds. It is about this latter aspect of our business that I want to talk to you today.

Gordon W. McKinley

The mortgage market in the United States is not an isolated financial market operating independently of all other financial markets. Mortgage funds are part of the total stream of investable funds. Since many lenders who operate in the mortgage market are also investors in other financial markets, funds continually flow back and forth between these different sub-markets in response to differentials in risk and in yield. For this reason, the rate on mortgages is not determined solely by what is happening to housing; it is also importantly influenced by what is happening in the government securities market, in the corporate securities market, and in all the other parts of the total investment market.

Two Separate Factors Influencing Mortgage Rates

While mortgage rates are thus tied in a general way to all other interest rates, it is also true that there are special factors peculiar to the mortgage market which exert their own particular influence on mortgage rates. A discussion of the outlook for mortgage investments should, therefore, cover two separate sets of factors which influence mortgage rates—the housing factors, and the money market factors. In my talk today I want to confine my remarks to the first of these two sets of factors—that is, to the housing market. I hope you will bear in mind, however, that in developing a complete picture of the outlook for mortgages it would be necessary to add to my housing forecast such financial factors as the likely flow of investable funds, alternative uses for those funds, and probable actions by Federal authorities to restrict or increase the flow or the direction of investable funds.

The question I want to try to answer today is, "What is likely to happen to housing demand over the next five years?" How many new homes can we reasonably expect to build without developing a surplus of housing sufficiently large to endanger home prices and result in a subsequent severe slump in home construction?

There has certainly been no dearth of housing forecasts during the past year. Almost daily I read new statements by construction men, financial men, or government officials concerning the housing outlook. There is, however, a disconcerting lack of agreement among these experts. On the one hand, we are told that there is no reason in the world why we cannot construct and sell 1.5 to 2 million homes a year over the next five years. The more daring of these proponents even venture the opinion that 2 million homes annually is not sufficient to maintain our housing standards.

At the other extreme, there are those who point ominously to the recently released Census figure showing an annual rate of household formation of under 600,000 and conclude that housing starts must fall to this low level if we are to avoid a boom-bust situation.

An unfortunate aspect of most of these forecasts is that they are not accompanied by any logical analysis indicating how the forecast was derived. One reason for this lack of analysis is that housing statistics in this country leave a great deal to be desired. There are no official national vacancy figures. No national count is made of demolitions, or conversions. There was no official count of the housing stock prior to 1940, and the counts which have been made since 1940 contain notable inconsistencies. The businessman who attempts to estimate the future of

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*An address by Dr. McKinley before the 35th Annual Convention of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 17, 1955.

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, May 19, 1955
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $55.00 per year; in Dominion of Canada, $58.00 per year. Other Countries, $62.00 per year.
Other Publications
Bank and Quotation Record — Monthly, $37.00 per year. (Foreign postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Give Them Credit

By IRA U. COBLEIGH

Enterprise Economist

A look through the instalment payment window at the two largest independent American companies devoted to consumer finance.

Since everybody seems so well pleased with the essential solvency of our economy, the improving disposable income curve, and the fabulous sales of houses, cars, and appliances in 1955, perhaps it would be well to look at one of the elements that make all this economic wonderland possible—consumer credit. It would be nice and, indeed, a lovely phenomenon if all the goods purchased by American families, were for cash; and that there existed, in 1955 sales, no important mortgaging of future earning power. Since this does not happen to be the reality, however, it may prove useful to examine the extent to which personal credit propels and propagates sales, especially in the major segment of what has been called durable goods—motor cars.

Ira U. Cobleigh

If you think most people buy cars for cash, dispel the notion. The facts are far otherwise. 50% of all new cars are bought "on time"; and over 70% of used cars. (As a further useful statistic there are two second hand cars sold for every new one.) Actually time purchase decreases in relation to the class of car bought. For example, new Fords, Chevvy's and Plymouths would be sold about 60% via credit plans, where as 85% of Cadillacs will be bought for all cash. Standard practice on new cars today requires at least 25% in down payment (which is usually covered or exceeded by the allowance value of the car traded in) and time payments running not longer than 30 months. Twenty-four months (two years) seems to be the most popular payment stretch. For used cars, you put one-third down and pay within two years.

There are some other things to note here. Cars have been getting more expensive, so the face amount of the average motor note has been growing. In 1941 it was $480; today it's $1,300. Against that, however, it should be observed that the cost of financing has gone down due to lower interest rates, more efficient credit and collection techniques, and the sharp competition from commercial banks. Insurance has become an important factor too—so much so that the leading instalment companies have entered that phase of the business as well.

For example, once a credit is extended, there is a specific need for insurance to cover collision, property damage, fire and theft, and, in recent years, rigor mortis. It is common with each instalment contract to include an accordion-type group life policy which will pay off the outstanding loan balance, if the borrower should pass away before paying up the loan. These various insurance coverages, vital to sound loan protection, have proved additional and valuable sources of revenue to the major consumer finance companies.

With this general background to creditable living, perhaps it would now be well to take up specific companies, impressive in their record, and distinguished as dividend payers over a long period of years. For today's piece, we have chosen the top two—C. I. T. Financial Corp. and Commercial Credit Company. We shall take them up in that order.

C. I. T. Financial Corp.

C. I. T. Financial Corp. (formerly Commercial Investment Trust) is the biggest of the independent consumer finance companies with about 65% of its income derived from time financing of motor car sales and the related insurance coverage. Just to give you an idea of the vastness of C. I. T., consider that its outstanding receivables of all divisions were $1½ billion at March 31, 1955.

In addition to motor car paper, C. I. T. finances all sorts of industrial and commercial equipment—barges, tugs, cranes, trailers, etc., with outstanding receivables from this sort averaging above $200 million.

A third credit division is factoring — purchasing accounts receivables from manufacturers and commercial firms, mostly in the textile trade.

In all of these credit extensions, receivables are purchased at a discount; the credit period is never longer than three years. As can be seen, this business requires a lot of capital, a great deal of which is borrowed.

The insurance phase of the business has led to operating subsidiaries: Service Fire and Casualty Insurance Companies for property damage on trucks and cars financed, and Patriot Life Insurance Co. — which writes credit life insurance and is growing in ordinary life insurance sales. These enterprises are moving ahead rapidly in both gross premiums and net earnings.

About customers, the largest is Ford whose cars are financed through the wholly owned Universal C. I. T. Others include White and Diamond T trucks, Chrysler, Studebaker, Packard and American Motors.

C. I. T. has long been a profitable organization and has paid dividends unfailingly since 1921. There was a 2½-for-1 split in 1953, as a result of which 9,129,571 shares of common are now outstanding listed N. Y. S. E. and now selling at 49. C. I. T. paid $2.25 last year and should do as well this year, since the first quarter (1955) was the best in company history and suggests a per share net of above $4. Ahead of the common lies $500 million in long term debt; (and some $700 million in notes payable is carried on the balance sheet under current liabilities).

In view of the capacity of C. I. T. to earn and pay dividends through thick and thin, its diversity and its growing insurance adjuncts, the common is a well regarded equity. If it now sells at an all-time high, it's probably because that's where the earnings are! Mr. A. O. Dietz, President, is the acknowledged dean of instalment finance executives, and his helmsmanship at C. I. T. is importantly responsible for its top position in the field.

Commercial Credit Company

Next in size, and eminent by any standards, is Commercial Credit Company, whose common shares at 53 paying $2.60 yield almost 5% — surely an attractive investment return on so fine an equity.

CC majors in motor finance, its largest client being the Chrysler line. Chrysler in 1954 suffered a sales slippage, reflected in CC, and dipping per share net to $4.86 from $5.21 in 1953. However, in 1955 Chrysler is moving well; and CC racked up its best first quarter net in history, up 10% from last year and equaling $1.24 per share. In addition to Chrysler, CC supplies sales credit for Packard, Nash, Hudson, Studebaker, and is increasing its business on Ford and General Motors output.

Commercial Credit also does extensive factoring in the textile business and handles home appliance paper through dealers. Related to, and tying in with, credits, CC runs a series of insurance companies, including Cavalier Life Insurance, American Health Insurance, Calvert Fire Insurance, and American Credit Indemnity. These insurance affiliates should by no means be overlooked since they delivered 30% of net earnings last year, and are growing rapidly.

Finally, CC has eight entirely owned manufacturing companies turning out a broad variety of items such as packed pork, metal stampings, printing presses, hardware, bearings, glass and plastic products. These subsidiaries should account for above $3.5 million of net in 1955.

$291 million of funded debt lies ahead of the 4,985,134 common shares. Dividends have been paid on Commercial Credit without interruption since 1934.

Here then are two top flight companies moving ahead not only in their credit business but expanding their highly profitable insurance divisions. These two kindred enterprises should continue to grow due to (1) higher prices (and higher loans) of motor cars; (2) impressive expansion of car sales this year; (3) increasing vogue of time sales and lengthened credit spans; and (4) the steady increase in population and disposable income.

So, as these two spendid companies give credit to others, let's give them credit for the excellent job they're doing, and the excellent earnings they're showing.

Joins Blyth Staff

(Special to THE FINANCIAL CHRONICLE)

EUREKA, Calif. — James A. Christensen is now with Blyth & Co., Inc., 424 Fifth Street.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—William B. Parkins has become connected with King Merritt & Co., Inc.

The State of Trade and Industry

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

Total industrial production in the period ended on Wednesday of last week held at the expanded level of recent weeks and was substantially above that of a year ago.

It appears that the increase in employment might be more than seasonal since claims for unemployment compensation have dropped to the lowest level in more than 18 months. New production records were achieved in scattered industries.

Commenting upon the employment situation the United States Department of Labor stated that unemployment among workers covered by state jobless programs has fallen to the lowest level since last November.

It added that the mumber of workers getting unemployment compensation dropped by 74,700 in the week ended April 30 to 1,399,600. A year earlier, the total was 2,181,800. The latest total was the lowest since the week ended last Nov. 6, when there were 1,339,600 idle workers claiming compensation.

In the week ended May 7, new claims for jobless pay rose by 29,100 to 236,900 the department said. This compared with 327,146 a year earlier. The rise was blamed mainly on administrative factors. In two states previously ineligible, workers became qualified for benefits May 1. In a third, Pennsylvania, some workers made idle in April delayed filing for insurance until May to take advantage of the higher benefits that took effect May 1.

National production of goods and services climbed to a record annual rate of $370,000,000,000 in the March quarter. This was $41,200,000,000 ahead of the pace in the like 1954 period. It compared with actual output of 357,200,000,000 for all last year. In 1953, total production came to $364,900,000 or the highest in history. Stepped-up consumer demand accounted for the March quarter upsurge, the United States Department of Commerce explained.

Industrial production in April held at 137% of the 1947-49 average unchanged from that of March or only a point below the record high of 138% reached in March, 1953. It was 10% above the level of April, 1954, when the Federal Reserve Board's index of the output of the nation's mines and factories stood at 124%.

The Board's index started its postwar climb from a low of 80 in 1946. Thus this year's April figure announced on Monday of this week represents a climb of 57 points, or about 71%. Expanded production by individual firms was a major factor in this great growth. But big business getting bigger was not the only factor. At the start of 1946 there were 264,000 manufacturing firms in this country. At the start of this year the total was 311,000.

In the steel industry this week the prediction is that most products will be in tight supply for balance of the year. Where one pressure will ease, another will take up the slack, "The Iron Age," national metalworking weekly, reports.

When all the pieces are put together, the United States is knee deep perhaps in the biggest steel boom in the postwar period, including record breaking 1953.

Some steel users are willing to talk for the first quarter of 1956. Others have placed orders for delivery in the last quarter of this year. Third quarter order books are solid in just about every product, states this trade authority.

Any talk of relief in the pressure for production and delivery is just plain wishful thinking since economic recovery from last year's short-lived recession is barely under way, and orders received by mills are still running in excess of capacity. Some important consuming industries, this trade journal declares, are just beginning to exert their influence on production. Further, mills are behind in deliveries and consumer inventories are low and must be rebuilt. Thus far, inventory-building of any consequence is more an objective than an accomplished fact.

Foreign countries are literally crying for steel they can't get and United States mills are handling what export tonnages they can without short-changing their bread-and-butter domestic customers.

Attempts at inventory-building are a factor in the market and will continue to be for months to come. If there is any break in the market, this trade paper adds, inventory-building alone will prevent any significant sag in demand.

In the automotive industry last week United States car and truck production was expected to climb more than 4% above the previous week's strike-bound total.

"Ward's Automotive Reports" estimated the May 9-17 output

Continued on page 46

Observations . . .

By A. WILFRED MAY

STOCK TRADER'S VITAMIN

When such an experienced, keen, enthusiastic, energetic, forthright, and articulate a market observer as Gerald Loeb sets his convictions down on paper, he should be read. This is so whether the author's conclusions on the controversial questions surrounding the inscrutable but ever-glamorous investing process elicit the reader's agreement, or, as in the case of your columnist, considerable disagreement.

A. Wilfred May

G. M. Loeb

In a new edition of **"The Battle for Investment Survival,"*** originally published in similar form in 1952, the author adds 75 pages of stimulating material (including four articles which originally appeared in "Investor" magazine, edited by Raymond Trigger, enlarging and up-dating his long-term argument. This philosophy, stressing market alertness and the quest for capital gains, was epitomized on the jacket of that earlier edition as "Forget dividends. Look for capital gains and trading profits. A good investment must first of all be a good speculation." Sharply differing with this credo and strictly shunning attention to quotations; and holding that a good investment happens to work out—*incidentally*—as a good speculation. In fact, we have suggested that the title "The Battle for Investment Survival" was a misnomer for "The *Speculator's* Battle for Survival."

In Defense of Timing

To this theme favoring market alertness, Mr. Loeb now adduces further cogent arguments.

Most importantly, it seems to us, he cites the fact that while it may be possible to estimate a company's future earnings and dividends it is impossible to know how investors will capitalize these figures in the market.

To hammer home this truly crucial point he offers numerous specific case histories. He gives a record over the years of the very great variation in price-earnings ratio and income yield. He charts the sharp fluctuations which occurred in the price earnings ratio (from 19.1 to 6.9) and in the dividend yield (from 3.34 to 7.9) reflected in the Dow-Jones Industrial Average over the interval 1928-1949.

Also to support the pro-timing and anti-long-term value attitude, the author quite dramatically graphs the violent 1929-'52 market price fluctuations in many popular issues to demonstrate "how much can be lost even in the best stock if bought at the wrong time and price." Thus, the record shows that the buyer of du Pont at the top in 1929 had to wait 20 years to see his investment re-attain its former price.

Against the Digger-In

Mr. Loeb recognizes that it might be argued that anyone who bought a good stock like du Pont merely had to hang on to come out all right; to which he offers the "realistic" rebuttal: "In real life, this is a different matter than in theory. The stock may recover after a period of years, but in practice emergencies come up and one has to sell. Also, the atmosphere around the bottom of declines is always a pessimistic one and, human nature being what it is, a person buying a stock at the wrong time is very apt to double his error and sell it at the wrong time."

Now it seems to this reviewer that the foregoing philosophy embraces several typical and important investor fallacies.

First it assumes that the investor has the continuing right to cash in his security without loss, which is both unwarranted, and unattainable through *any* investing technique. Second, it assumes the tenet of the value-appraisers and anti-timers to be "any time is a good time to buy a 'good' stock"; whereas actually the principle is "any time is a good time to buy a good *value*"; this comprising a crucial difference. Third, affirmatively it is merely saying that it is all-important that the investor's timing be good and not bad. Possibly the few Gerald Loebs can do this through the years. But seemingly no way of imparting the key to others is discernible; and, in fact, are those experts themselves not really, if unwittingly, "playing by ear"?

Miracle Plan Investing

Also in line with the critical approach, is our author's depiction of certain flaws in the various current methods of systematic saving with the use of equities. He objects to the hindsight feature of issue selection in the habitual citation of the record of constant saving in a particular stock, and on grounds that commitment to a formula prevents the assumed advantage of flexibility in catching market swings. "I feel that investing is a very inexact science or no science at all. I think it can only be successfully done by feeling your way along, cutting short losses, concentrating on the profitable situations and certainly, above all, avoiding being locked into an inflexible long-term program."

So there runs through the volume a quite valid showing of the short-comings of the investment, as distinguished from the trading, approach. But just as with the differing investment-value proponents, a sound debunking of the opposition must not be construed to imply *per se* the soundness of the favored alternative.

Thus we arrive at the following constructive conclusion from this most knowledgeable witness:—realization that the best basis for policy lies in selecting the path which is the lesser of alternative evils. To forego such skepticism requires the unrealistic assumption that we are all endowed with the market "ear" of a Gerald Loeb — truly a unique and unattainable "secret weapon" for winning that "Battle for Survival!"

*Hurry House Publishers, 61 Broadway, New York, 242 pp. $2.95.

How Much Bull in Ebullience?

By H. E. LUEDICKE*

Editor "Journal of Commerce"

Dr. Luedicke, warning against excessive optimism, finds there are factors in the current recovery that mean over-stimulation, and the momentum of public confidence may not be sufficient to carry us along at full speed. Says there is a possibility that an inevitable drop in auto production later this year may cause a shock to many and a decline in related industries. Decries theory that inventory accumulation will be a potential offset to a set-back, and holds government spending and other built-in stabilizers are "untested medicine." Concludes, neither free nor controlled economy can escape need for periodic adjustments.

The business rebound from the 1953-1954 recession during the past few months has exceeded all expectations and, as a result, optimism is spreading rapidly.

Heinz E. Luedicke

Up to recently, even the optimists were ready to accept the thesis that the economy during the second half of 1955 would be hard put to find full "offsets" for the anticipated drop in automobile production and a possible leveling off in residential building. Today at least some of them openly argue that the cyclical upsurge is strong enough to keep autos and housing from slipping much in the second half of the year.

Once again, anybody who raises a word of caution is being shouted down as a prophet of gloom, if not doom. And yet, whenever economic sentiment is running so strongly in either direction, that is exactly the time when the need for calm appraisal is greatest.

Any sound business appraisal depends on finding the proper balance between two attitudes: guarding against being swayed too much by bullish or bearish sentiment in the markets and guarding against too much stubbornness in "fighting" a trend in the markets. At the moment, the greater danger lies in being swayed too much by the recent upsurge. This does not mean that businessmen should prepare for a sharp setback in business activity. As long as defense expenditures have to be held at or near their current level and political considerations, with the approach of the 1956 election year, virtually force the Administration to counteract any renewed decline without losing much time, short-range fluctuations will be held within a small range.

It is a foregone conclusion that the current recovery tempo cannot be maintained much longer if, indeed, it is not already slowing down. Prospects still are that the second half of 1955 will average lower than the first half—even without the occurrence of serious strikes in the automobile or steel industries. Actually, the Administration at the moment is more concerned over possible speculative excesses in the recovery than over a moderate setback. That, at least, is what current credit policies seem to tell us.

The really important problem now crystallizing actually has very little to do with the type of fluctuations in the level of business activity likely in the near future, but concerns the ultimate fate of the new boom: how high can it go and how long can it last before the need for another corrective phase develops—and how will such a third postwar corrective phase compare in severity and length with the first two postwar recessions, in 1948/1949 and 1953/1954?

Beware of Excessive Optimism

There is an impressive array of reasons why businessmen should not let themselves get carried away by the wave of excessive optimism.

The vigor of the recovery since last November was largely due to the shift in the introduction of the new automobile models. A moderate upturn would have developed toward the end of 1954 anyway. The early introduction of the 1955 auto models and their appeal to the public set strong uplift forces in motion since the increase in automobile production immediately spread to other industries, such as steel, rubber, glass and others and also stimulated industries not immediately related to the automobile boom.

Thus the truly electrifying upturn during the past six months was largely due to the fact that marked seasonal shifts were super-imposed on a cyclical recovery that was slowly starting late in 1954.

Even this factor would not have been enough, however, to carry automobile production above a 9,000,000 car annual level, plus an extra million trucks, and to lift steel output almost to its all-time peak, if it would not have been for the assistance from a different direction: the threat of strikes in both the automobile and steel industries.

There is enough evidence that much of what is currently being hearalded as a resumption of inventory accumulation represents "hedge"—purchases against such strike threats — and that applies both to industrial purchases and to consumer buying of durables, notably, of course, automobiles.

Add to this the recurring threats of international complica-

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*An address by Dr. Luedicke before the Spring Meeting of the Tanners' Council of America, Hamilton, Bermuda, May 10, 1955.

On Issuing Income Debentures To Retire Preferred Stock

By OSCAR LASDON*
Associate Editor, The Banking Law Journal

Mr. Lasdon contends that substantial tax and other savings will accrue to the railroads as a result of the issuance of debentures to retire preferred. Points out approval of the Interstate Commerce Commission of this kind of capital conversion for six carriers, in spite of the loss to the U. S. Treasury and a corresponding gain to the railroads. Concludes railroad management cannot be criticized for effectuating sound business judgment in their efforts to increase net income.

In the past eight months, the Interstate Commerce Commission has authorized the issuance of debentures by six Class I carriers. In itself, this is nothing remarkable since the issuance of long-term debt is always subject to Commission authorization. What is unusual, however, is the fact that five of the six authorized issues are *income* debentures. Although railroad income obligations are traditionally and almost exclusively a by-product of financial reorganization, the issuing carriers, in these particular instances, are all solvent. These issues attract attention for one other reason. Without exception, all have been authorized for the purpose of retiring — either directly or indirectly — senior equity issues.


Oscar Lasdon

Four of the five are issues of carriers which have been reorganized since the great depression. These carriers are the Rock Island, the Chicago & Eastern Illinois, the Erie and the Western Pacific. The fifth, which survived the trying '30s, is the Nickel Plate. A sixth issue, a straight fixed-interest debenture of the Illinois Central, does not fall within precise topical limitations.

How Preferred Stock Was Retired

Methods of effecting retirement of the preferred shares of these carriers have varied. In four instances — the Rock Island, the Western Pacific, the Nickel Plate, and the Illinois Central—investment standing was good enough to enable the roads to obtain underwriting commitments.

The Nickel Plate did a conventional financing job, and its preferred shareholders had no alternative but to turn in their shares for redemption. Holders of Rock Island and Illinois Central preferred stock could either take cash or exercise their right to convert into common stock. On the other hand, Western Pacific preferred shareholders were offered a limited privilege to exchange for income debentures and common stock, in lieu of taking cash.

Only in the Rock Island case, did the vast majority of stockholders express a preference for cash. The call price of the preferred was in excess of the market value of the common, and the small minority who did convert may have been impelled to do so by the desire to avoid a capital gains tax. The Western Pacific exchange offer, which was eminently successful, was not considered to be tax-free to the investor.

In the two remaining cases, the Chicago & Eastern Illinois and the Erie, preferred share redemption was not feasible. Stockholders were merely offered the privilege of exchanging the Class A and preferred shares, respectively, into income debentures. These voluntary exchanges are still continuing and appear to be meeting with good success. Since these exchanges are not tax-free to the investor, their success may exclusively be attributed to the desire of the shareholder to improve his investment position.

Savings, of course, were the principal motivation for this substitution of debentures for senior equities. Since interest is a charge against income, these savings largely stem from a reduction in Federal income tax liability. Also, in a number of instances, these savings have been augmented by the fact that debenture coupon rates were materially below the dividend rates on the stocks. But in two cases, there was another compelling reason—the desire to eliminate certain unusual contract rights.

The Chicago & Eastern Illinois certificate of incorporation provides one example. As long as any Class A stock remains outstanding, consent of two-thirds—voting as a class—is required to amend, alter or repeal certain important restrictive provisions embodied therein. With respect to the Western Pacific financing, a not unimportant factor was the right of the preferred stockholders to share equally with the common in dividends in excess of $3 a share on the latter.

A Few "Caveats"

But, before reviewing the tax savings involved, a few *caveats* are in order. In their applications, the roads did not follow the same pattern in estimating potential cash benefits. For one thing, estimated benefits require a projection of future rates of taxation, and there was no uniformity of prediction in this area. Furthermore, it is rather apparent that the longer the life of an issue, the greater the potential tax savings; in other words, where provision is made for rapid sinking fund retirement of a debenture issue, total tax savings are reduced. A relatively larger volume of tax savings, *per se*, therefore, is not necessarily conclusive that the financing arrangements were the best that could be devised.

For these reasons, I have made no special tabulation of tax and other savings, but will merely recite such economies as presented by the respective applicants. Needless to say, the projected economies are all very substantial.

In the case of the Chicago & Eastern Illinois, potential income tax savings which could result from the issuance of $15 million of 5% 100-year income debentures—computed at a 52% corporate rate—were estimated at roughly $400,000 a year for the present.

In the Rock Island application to issue $65 million 4½% income debentures, potential tax savings were estimated as sufficient to retire the issue during its 40-year life and still leave a net cash balance of over $30 million. This computation was also made on the basis of a 52% rate.

No dollar figure of savings was set forth in the Erie's application for permission to issue over $40 million 5% income debentures. However, assuming the entire amount were outstanding for a 12-months' period, potential savings in excess of $1 million could currently be realized.

The Western Pacific estimated that tax savings of $8,267,000 could be attained during the 30-year life of its $22.5 million 5% income debentures, during which period sinking fund payments were expected to provide for complete retirement. These savings were predicated on gradually declining corporate rates, ranging from 50% to 42%.

The Nickel Plate estimated total savings which could be realized from the substitution of the $36 million 4½% income debentures for the 6% preferred stock on the basis of a 50% corporate tax rate. These savings were calculated as sufficient to retire the obligations via sinking fund during the 35-year life term and, in addition, leave a balance of almost $18 million.

The Illinois Central also used a 50% corporate rate in estimating potential savings. Utilizing $18 million to be obtained from the sale of 3½%, 25-year debentures, as well as almost $3.5 million of free funds, it projected a reduction in annual requirements over the life of the debentures in excess of $22.4 million. On an average annual basis, therefore, refinancing of the 6% preferred was expected to save almost $900,000 a year.

In the Illinois Central case, the process of projecting annual savings turned out to be nothing more than academic exercise. Practically every preferred shareholder decided to convert into common.

All of these projected savings, of course, are largely at the expense of the U. S. Treasury, since

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*Address of Mr. Lasdon before Finance Section Meeting on Carrier Securities and Reorganization; 26th Annual Meeting of the Association of Interstate Commerce Commission Practitioners, New York City, May 6, 1955.

The Outlook for Business as It Affects the Petroleum Industry

By ALBERT J. McINTOSH*
Chief Economist, Socony-Mobil Oil Company, Inc.

Mr. McIntosh foresees gains in production and individual earnings in 1955, with little change in living costs. Anticipates a consumption increase of 4½% in petroleum products, with an accelerated ratio in later years. Reviews former forecasts of petroleum demand, and finds that we have been going ahead much faster than most people could possibly visualize.

What kind of year is it going to be? That is what your committee asked me to talk about and after thinking this over carefully, I wondered why anyone today wanted a talk on that subject even though you had a so-called professional economist on the dais. All of you, I am sure, are getting through the newspapers, the Department of Commerce in Washington and the reports of the President's Economic Advisors, all kinds of information and forecasts almost every day as to what is taking place or what is likely to take place. Trade magazines are continually making surveys of future expenditures by industry and by individuals, divided between what they plan to buy in the way of capital goods and other items. The fact is not a day goes by now that you have not at your command some comprehensive new article indicating the trend of the economic life of this country.


Albert J. McIntosh

This tremendous increase in economic information has been brought about, I believe, primarily through the events of the second World War and later developments. It was generally recognized at that time that the United States had to develop and utilize a great deal more economic information than it ever did before. This country was by circumstances forced into world leadership and could not go on in the somewhat haphazard fashion in which it had drifted in the years prior to World War II. The people in Washington and in the statistical and economics associations and societies realized their responsibilities and were instrumental in developing the necessary information to guide the economy. I do not know how many of you people have realized that this development was taking place. We see so much of the results today that maybe it has come about without this realization. If one wants to follow the developments, all he has to do is go back to the early 1940's and see what the businessman had to guide himself with then and the great mass of information fed to him now on a daily, weekly or monthly basis from all kinds of written material and at practically no cost.

Nevertheless, just for the record, our people are thinking that the Gross National Product, which is the yardstick of all activity in the United States, probably will increase this year about 5% and consumer spending probably will increase about 4%. On the other hand, production in the factories may increase as much as 7%. These are the three most widely used economic indices and from them you can get a pretty good feel of what people are thinking will transpire during the year 1955 as compared to 1954. Our forecasts include a continuation of the upward trend in the number of automobiles in use, whether they be passenger cars or total vehicles, of between 3% and 4% and a somewhat similar rate of increase in the number of homes heated by oil.

We believe there will be more people employed in industry and that there will be more new homes built for these people. There is little doubt that weekly earnings will increase, but we feel that there will be little, if any, increase in the overall indices of the cost of living or wholesale prices.

What does this mean in connection with petroleum for just this year? We believe that this will mean more gasoline sales. First, because there will be greater average income for the average person, which means that people will buy new or good second-hand cars and they will run these cars in addition to most of the old ones and consume more gasoline as a result. Also, business will be picking up, which will encourage the use of additional trucks and salesmen's cars and all those kinds of things which go along with increased business activity. The increase in gasoline sales will not be dramatic, probably between 4% and 5%.

For home heating oils, in which you in this part of the country have a great interest, we feel that there will be an increase of maybe 9% or more. We reflect in this estimate two conditions. First, a regular growth of about 5% and a 4% adjustment to allow for the warmer than normal weather prevailing in 1954. In other words, 1954 consumption was lower than it should have been and the 1955 increase anticipated would, therefore, be higher than normal to the same extent.

For all products, we anticipate a consumption increase of about 4.5% over last year. Included in this is a forecast of no increase in the sales of heavy or residual fuel oil. This latter estimate is based

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*An address by Mr. McIntosh before the Empire State Petroleum Association, New York City, May 9, 1955.

Guided Research Essential to Economic Strength and Stability

By ROGER M. BLOUGH*
Chairman of the Board
United States Steel Corporation

Newly elected head of leading steel producing corporation stresses importance of improving productivity and developing new useful products through the "guided ingenuity of research." Holds present day research in American industry can play an important part in leveling out "the dips and even the abysses of our national economy," as well as increasing productivity of American labor. Looks for milder economic recessions than in the past by reason of the chain reaction of industrial research, and cites cases of new products developed during last decade that have aided in maintaining prosperity.

A week or so ago, I reviewed the Canons of Ethics of the National Association of Credit Men, and was struck with the forceful statement of one thought. It is not a new thought, but as fundamental to good business relations as any rule of conduct, old or new. Your Canons of Ethics state: "The pledged word upon which another relies is sacred among business gentlemen."


Roger M. Blough

I cannot think of a more apt way of stating this ancient but honorable business truth, a truth which every day, is being more widely respected in commercial activities. I congratulate you, therefore, not only on your code of ethics, but also on the spirit of your organization that made such a code possible.

And let me say one other thing that has been on my mind for a long time—a word of appreciation for the part you as men of credit have played in the smooth operation and growth of our nation's economy. It has been an enormous contribution.

Daniel Webster was so right when he said: "Credit has done a thousand times more to enrich mankind than all the gold mines in the world."

To my way of thinking, the proper use of credit is the lubricant which permits our industrial machine to roll. To you gentlemen, who continuously improve that lubricant and think of sound ways to apply it, I doff my hat.

It has been said that just about the time man was learning how to utilize money, he became confused by the invention of credit. Any one who regards credit as something you, as credit managers, arbitrarily extend or withhold, is still confused. For actually, credit is not something given but something earned. It is the mark of distinction of an individual or a business: the earned right to be trusted.

I knew we all needed a lot of credit — present speaker not expected — and I know that we sold more than a little steel without requiring cash on the barrelhead. I realize, too, that U. S. Steel not only sells on credit but was dependent on credit in buying products and services in a volume, last year, of slightly over one billion dollars. But I was not aware until recently that 90% of all business in the United States is transacted on credit.

A friend of mine has active children and a big backyard. He claims that the only reason he hasn't had to buy an elephant—yet—is that you people have not offered elephants for sale **on credit.**

Now, this may have been a serious oversight on your part. But apparently it hasn't done irreparable damage to our economy. For the Twentieth Century Fund recently issued a documented economic study of our incredible United States which says: "America now has the strongest and most productive economic system in human history." This report, which was five years in the making, foresees as possible by 1960 a total national output of $414 billion of today's purchasing power, compared with $357 billion last year. The report also envisions as easily possible in 1960, an average family income of more than $6,000 per year.

This is a lofty goal in any land. But when you consider that our national output clipped along at an annual rate of $369 billion in the first quarter of 1955, that goal of $414 billion looks like a realistic and reachable one on a tomorrow just five years away.

But reachable how? There is no one magic way, unless you call magical our tried and proven American way.

Improving productivity is, of course, the essential, for in that lies our great economic strength. And our productivity is, to quote the Twentieth Century Fund's monumental study, "only to a limited degree either the result, or the measure, of labor efficiency. ... The most energetic and skillful shoemaker working long hours under the ablest supervision, but with the hand tools of a century ago, would not remotely approach the productivity of today's semiskilled operator, working with the aid of power-driven machinery. ... One man with today's power-driven mechanical equipment can do as much work in 40 hours as three men working 70 hours a week with the primitive tools of a century ago."

But capital investment and credit, important as they are, cannot fully utilize human skill and ingenuity and, standing by themselves, do not permit human energy to be most effectively employed in our productive process. These things alone will not suffice. One more thing is needed.

It is the additive required to insure as fully as possible that labor, credit and capital investment are employed in building the **right kind** of facilities, in producing the **right kind** of things — things that are needed, wanted and things which will sell. It is, in the language of this study, the devising of superior techniques and processes and more and better machinery that multiplies human effort, which are "real causes" of our increased productivity.

Must Produce New and More Serviceable Things

If we were to invest year after year in the self-same tools and produced tomorrow the self-same articles we produced yesterday, we could undoubtedly keep on selling some of them. To those who did not have the gadget in the first place, or to those who needed a replacement because the old one wore out, we might sell another. But unless we devised a new or more useful and more serviceable gadget, our market would wither away.

Mere replacement of identical tools, identical plants and identical products is not, then, enough. We need that additive, and today we have it.

I mean industrial research, which for want of a better term I have come to think of as "Guided Ingenuity." That's the additive or catalytic agent in our productive system.

It is said that the highway to Hades is paved with good intentions. Is it too much to say that the highway to industrial heaven is paved with good inventions? Perhaps it is. But to those of other lands who look upon our country as a special kind of productive heaven, there is something to be said for the analogy.

All of you here this morning are aware of the increasing flow of new and improved products, and new and better methods, from industrial research. Few processes in industry are improved today without being indebted to some form of additional knowledge growing out of inventive research. This constant searching and researching for a different and better way to do anything, brings its continual flow of rewards. It does so by efficient, organized effort to originate, wherever possible, products that can be mass-produced for the mass market that is largely an American phenomenon. Research devotes itself to reducing waste — the waste of time, effort, money, materials, and, above all, human life.

But the further role of industrial research in aiding in the leveling out of the dips and even the abysses of our national economy is little recognized and far from understood or appreciated. It is about that role of industrial research as an economic stabilizer that I wish to speak today.

Towards Stability of Employment and Income

I know we are all interested in creating the most even flow of employment and income on a steadily rising scale that is humanly possible. Agreement on that end is close to universal; and in our comparatively short industrial history America has kept moving closer to that goal that men have dreamed about since long before Adam Smith.

With steady employment and production, and in no other way, we have the good life for all. They are inseparable — production and employment. Lose one and you lose the other; stifle one and the other expires. There is no one on earth who doesn't benefit from useful production and employment—and the steadier the better.

Why do we have valleys in industrial production? There are undoubtedly a number of plausible reasons.

But whatever the causes of the valleys, there is, I believe, one sure-fire aid to restoring and maintaining a prosperous progress. It is an aid that each one of you can demonstrate for yourself in your own company. It is a planned and adequately financed program of product development, of process development, and of market development. In other words, that kind of an industrial research program, by any name, not only helps your company as an individual competitive business unit, but it also constitutes a potent plus factor in easing our economic impasses.

I believe it works this way. In our private enterprise system the customer does the deciding as to what he will buy, and more particularly, **when,** he will buy. In our land the customer does the deciding as to what shall be produced, and how much; the political state does **not** decide what he shall have, and in what quantity. Under our system the customer has the freedom to say yes or say no to the verbal, written or visual sales appeal; and he has the freedom of alternative choices.

When your consumers feel they no longer need or want your product in the quantities in which

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*An address by Mr. Blough at the 59th Annual Credit Congress and Convention of the National Association of Credit Men, Chicago, Ill., May 12, 1955.

Dealer-Broker Investment Recommendations & Literature

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

Air Transport Survey—Detailed survey and analysis of air transport industry prepared especially for investment interests—75 pages of text and 40 pages of appendices—Henry Beecken & Associates, 1333 G Street, N. W., Washington, D. C.—$20 per copy.

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.

Book Manuscripts—Booklet CN on publishing, promotion and distribution of books (particularly on business and financial topics)—Vantage Press, Inc., 120 West 31st Street, New York, N. Y.

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

Fire and Casualty Insurance Stocks—Earnings and liquidating value comparison for 1954 — Laird, Bissell & Meeds, 120 Broadway, 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.

Low Price Stocks—Brief analyses of **Franklin Stores, General Instrument, Northern States Power, Sun Chemical, United Engineering & Foundry** and **White's Auto Stores**—Thomson & McKinnon, 11 Wall Street, 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.

Railroad Margins of Safety (1954) — Bulletin (No. 192) — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Smelters—Analysis—C. M. Oliver & Company, Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada.

* * *

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

Beatrice Foods Co. — Analytical brochure — Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Bellanca Aircraft Corporation—Analysis—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Temco Aircraft Corporation.**

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

Briggs Manufacturing—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Brunswig Drug Company—Report—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Bucyrus Erie Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Fireman's Fund Insurance Co.**

Budd Company—Analytical brochure—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

C. I. T. Financial Corp.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Clark Controller Co.**

California Limestone Products—Report—Managed Investment Programs, 41 Sutter Street, San Francisco 4, Calif.

Capital Airlines, Inc.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Chattanooga Gas Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Columbia Gas System—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of "Favored Stocks."

Cutler-Hammer, Inc. — Analysis — Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Dan River Mills—Memorandum—Arthur M. Krensky & Co., Board of Trade Building, Chicago 4, Ill.

Farrel-Birmingham Company—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also available is an analysis of **Northern Engineering Works.**

Gulf Life Insurance Company—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Hodgson Houses Inc.—New analysis—Vincent M. Cantella & Co., 53 Swan Road, Winchester, Mass.

Interstate Bakeries Corp.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Long Bell Lumber Co.—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

Northern Chemical Industries, Inc.—Analysis—Stern, Douglass & Co., Inc., 465 California Street, San Francisco 4, Calif.

Official Films, Inc.—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is a card memorandum on **Portsmouth Steel Corporation.**

Olin Mathieson Chemical Corp.—Memorandum—Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Paper — Analysis with particular reference to **International Paper, Crown Zellerbach, St. Regis Paper, Container Corp. of America,** and **Union Bag & Paper**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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.

Southern Indiana Gas & Electric Company—Report—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

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

Telecomputing Corporation—Analysis—Holton, Hull & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Title Insurance & Trust Co.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

United States Trust Company of New York — Analysis — The First Boston Corporation, 100 Broadway, New York 5, N. Y.

COMING EVENTS

In Investment Field

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

May 20-22, 1955 (Fresno, Calif.)
Security Traders Association of Los Angeles-San Francisco Security Traders Association joint outing at the Fresno Hacienda.

May 20-22, 1955 (Pasadena, Cal.)
Pasadena Bold Club golf outing and election at the Santa Barbara Biltmore Hotel.

May 24, 1955 (Boston, Mass.)
Boston Investment Club May Meeting at the Boston Yacht Club, Rowes Wharf.

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 3, 1955 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Club.

June 3, 1955 (Chicago, Ill.)
Bond Club of Chicago 42nd annual field day at Knollwood Club, Lake Forest, Ill.

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 9, 1955 (Minneapolis-St. Paul)
Twin City Bond Club annual picnic at White Bear Yacht Club, White Bear Lake, Minn.

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 17, 1955 (New York City)
Municipal Bond Women's Club of New York Fifth Annual Outing at Sleepy Hollow Country Club, Scarborough-on-Hudson, N. Y.

June 24, 1955 (Atlanta, Ga.)
Georgia Security Dealers Association summer outing at the Brookhaven Country Club.

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.

Thayer, Baker & Co. Elects New Officers

PHILADELPHIA, Pa. — At a meeting of the Board of Directors of Thayer, Baker & Co., Commercial Trust Building, the following officers and directors were elected: John M. Hudson, Executive Vice-President; William A. Rawak, director; Horace W. Thor, Secretary and Director, and Earl R. Gordon, Treasurer.

Other officers of the firm are: Wallace M. McCurdy, President and Director; Lewis P. Jacoby, Jr., Vice-President and Director; Joseph H. Geis, Jr., Vice-President. Mr. Rawak, newly elected director, is also a vice-president of the firm.

John R. Macomber

John R. Macomber passed away May 11 at the age of 79 after being in ill health for the last year. Mr. Macomber was president of Harris, Forbes & Co. of Boston.

Three With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Lauren W. Averill, Robert G. Gettle and Raymond J. Tarbell have become associated with Daniel D. Weston & Co., 140 South Beverly Drive.

Joins Coombs & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph C. Metzguer has been added to the staff of Coombs & Co. of Los Angeles, Inc., 602 West Sixth Street.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Floyd H. Lander is now connected with E. F. Hutton & Company, 623 South Spring Street.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dewey Carlson and Charles M. Stevenson have joined the staff of King Merritt & Co., Inc., 1151 South Broadway.

Developments in Municipal Finance

By C. CHEEVER HARDWICK*

Partner, Smith, Barney & Co., New York City
Members, New York Stock Exchange

After explaining the nature of municipal obligations and their importance in the investment market, Mr. Hardwick discusses the development of toll revenue bonds. Lists as important items relating to toll revenue bond issues: (1) the economic justification of the project; (2) the enabling legislation; (3) thorough study by competent traffic engineers; (4) a detached report of construction engineers as to construction and maintenance costs; and (5) a debt structure best suited to issuers' present and future needs. Cites New Jersey Turnpike as example of successful financing by toll revenue bonds.

It has been suggested that I talk to you today about Municipal bonds with some reference to toll revenue financing. I am particularly pleased to have an opportunity to do so because I am under the impression that the excellent courses in economics and finance offered by some of our leading universities do not give the recognition or attention to this important segment of our financial structure that it deserves.

C. Cheever Hardwick

In the investment banking field, the term "Municipals" means the funded indebtedness of the 48 States, the Territories of Hawaii and Alaska, the Commonwealth of Puerto Rico, and their various subdivisions — such as counties, cities and townships together with the districts, commissions and authorities that they include or of which they form a part. The purposes for which such indebtedness is incurred — notably schools, streets and highways, sewer and water systems, etc.—are fundamental to our economy as a whole and are tied about as closely as anything can be to our national development. By way of emphasis, let me give you a few comparative statistics.

In 1946 the Gross National Product was $211 billion; in 1954 it was $357 billion—or an increase of about 70%.

In 1946 total motor vehicle registrations were slightly above 34 million; in 1954 they were more than 58 million — or an increase again of approximately 70%.

In 1946 residential building starts totaled approximately 671,000; in 1954 they totaled 1,215,000 —which represents an increase of 81%.

In 1946 so-called Municipal bonded indebtedness was outstanding in a total amount of about $15¾ billion. Today the total of such indebtedness is estimated at close to $40 billion— or an increase of some 150%. A part of that increase in Municipal indebtedness has, of course, been due to the deferment of capital improvements during the years of World War II, but the major portion of it is the result of the vastly increased necessity and demand for more and better public improvements that has taken place in the postwar period.

Just one more statistic and I shall depart from this phase of my subject. In 1946 the population of the continental United States was slightly more than 141 million persons. Today the figure is 162 million, and the Bureau of Vital Statistics estimates that by 1970—15 years hence—it will have reached 200 million. On the basis of this expectancy of increased population alone, it would appear that the demand for further public improvements on a major scale must persist for some years to come.

*An address by Mr. Hardwick before the Finance Club of Harvard University, Graduate School of Business, Boston, Mass., May 5, 1955.

Municipal Bonds an Increasing Factor in Investment

As you can see from what I have just said, Municipals have become an increasingly important factor in our investment markets. In the year just past, new Municipal financing totaled almost $7 billion which compares with public offerings and private placements of new bond issues by corporations in an aggregate amount of about $7½ billion. That might well bring up the question, "Who buys Municipals?" According to the United States Treasury Department, in December 1953 approximately 44% of the Municipal bonds then outstanding were owned by commercial banks, savings banks and insurance companies; 37% by individuals and personal trusts; 15% by State pension funds and similar governmental agencies; and the remaining 4% or thereabout by various corporations and other miscellaneous investors.

The next question might be "Why do these people buy Municipals?" I believe the answers to that question, in the order of their relative importance, are "security" and "tax exemption."

In spite of the somewhat loose fiscal practices that prevailed among Municipalities in the '20s, less than 2% of Municipal debt defaulted in the prompt payment of interest or principal as a result of the depression of the early '30s which followed — and in almost every instance where such default did occur, payment of principal and interest ultimately was made in full. Furthermore, the experience of those depression years had a marked influence upon State Legislatures, with the result that many of them have since enacted laws imposing strict regulations upon the fiscal operations of those States and their political subdivisions, and have thereby added materially to the present and future stability of such credits.

The Tax Exemption

Almost every American citizen with money to invest is keenly aware of his tax liabilities and the consideration of "take-home-pay" forms no small part of his deliberations on investment matters. The interest received from Municipal bonds is free from Federal income taxation. To the investor with a taxable income of $25,000, a return of 2½% from Municipals is equivalent, based upon present surtax rates, to a taxable return of 6.10%; at $50,000, the equivalent is approximately 10%; and at $150,000, it is 25%. To a bank or other corporation with a taxable income in excess of $25,000, a 2½% return from Municipals is equal to a yield of 5.21% from taxable bonds. In addition, obligations of many States and their subdivisions are exempt from taxes levied upon personal property or income by the State of issue which affords a further advantage to investors residing in those States.

The analysis of general obligation Municipal credits is based upon essentially the same factors as those which must be considered in the case of any other borrower, namely, "ability to pay" and "willingness to pay." In the case of tax supported Municipals, the first factor primarily involves economic background and trends, present and prospective indebtedness related to assessed and estimated true valuation of taxable property, and tax collection history, while the second requires a careful appraisal of the general character and moral responsibility of the people that comprise the taxpaying community. With very few exceptions, Municipals are traded over-the-counter and are not quoted in the daily newspapers. A majority of issues consist of serial maturities and are priced in terms of yield to maturity rather than in dollars. Market values from day to day reflect not only the basic credit position of the obligor but also length of maturity, coupon rate, and the availability of comparable offerings at the time. Almost a thousand dealers and brokers scattered throughout the country are prepared to make primary markets or execute orders in representative issues and, under normal conditions, active and close markets are readily obtainable.

The Coming of Revenue Bonds

Traditionally, Municipals have been payable from taxes upon real property and most of them are still serviced primarily from that source. However, as you are all aware, mounting pressures upon State and local budgets have resulted in the levy of a multitude of other taxes, most of which have been pooled with general revenues but some of which have been dedicated to specific purposes. It has become fairly general practice, over the years, for Municipalities to issue bonds for utility purposes secured by revenues from those utilities and additionally secured by the general credit of the issuer; and during the past decade there has been a mounting tendency to finance capital acquisitions and improvements of this nature by means of revenue bonds payable solely from earnings of the projects involved.

Most of those projects have consisted of properties previously owned and operated by private interests, or improvements and extensions to plant already owned by the issuer, and therefore some history of earnings has been available in such instances for evaluation in relation to the proposed financing. As a consequence, the main factors to be considered, aside from the fundamental economics involved, have been largely of a legal nature. Confirmation by competent bond attorneys that enabling legislation is adequate to provide for efficient operation of the project and that rates can be levied in such amounts as may be needed to assure satisfactory coverage of operating costs, maintenance requirements and debt service is, of course, a matter of primary importance. If such legislation is properly drawn, it should be possible to lock into the trust agreement securing the bonds all of the specific covenants that might reasonably be expected to prove necessary for the protection of the bondholder. Revenue bond financing of this character usually consists of serial maturities or part serial and part sinking fund term bonds and adequate depreciation is assured by fixed schedules of debt retirement.

Revenue bond financing of toll projects is more complex by nature as well as more limited in its historical background. While in some cases the project to be financed is also an extension of or addition to existing facilities with demonstrated earning power, in a majority of instances an entirely new venture is contemplated with all of the attendant uncertainties as to construction costs and revenue potential. As in the case of any other revenue bond financing, the first thing to be considered is economic justification and the second is enabling legislation.

Continued on page 40

Better Government at Less Cost

By HERBERT HOOVER*
31st President of the United States

Mr. Hoover relates the proposals and accomplishments of the Commissions appointed to study the working of the Executive Branch of the Government. Says job is to search out what systems of organization or administration are in need of repairs and co-ordination, while having in view an increase of economy and efficiency.

The Commission on Organization of the Executive Branch of the Government, according to the Attorney General, is part of the Legislative Branch of the Government—not of the Executive Branch.


Herbert Hoover

In case you do not know what our job is I may tell you we are not, as some people may think, a lawless body of deep disturbers.

We operate under a law which may not be familiar to all of you so I will mention some of its provisions. That law says:

"It is hereby declared to be the policy of Congress to promote economy, efficiency, and improved service in the transaction of the public business in the departments, bureaus, agencies, boards, commissions, offices, independent establishments, and instrumentalities of the executive branch of the government . . ."

Congress obviously did not wish to leave anybody out.

Then the law goes into details of what the Commission must investigate and recommend, saying:

"(2) eliminating duplication and overlapping of services, activities and functions;

"(3) consolidating services, activities, and functions of a similar nature;

"(4) abolishing services, activities and functions not necessary to the efficient conduct of government;

"(5) eliminating nonessential services, functions, and activities which are competitive with private enterprise; . . ."

You will be interested in that last line about government competitive enterprises.

The First Commission of five years ago, over which I presided, was inhibited for certain reasons from entering into policy questions and was therefore confined to recommendations for the improvement in the structure and operation of the Executive Agencies. This Second Commission is also directed to deal with policies. That you may see that these authorities are wide open, I may read to you a provision in the present law. It states:

". . . The Commission may propose such constitutional amendments, legislative enactments, and administrative actions as in its judgment are necessary to carry out its recommendations."

But lest you become fearful, I may disclose to you that we do not intend to toy with the Constitution of the United States.

Also if you will sometime read the whole law, you will find that the Congress did not want our forces turned loose upon them, for they state that we should look into all agencies "except the Judiciary and the Congress."

In the five years following that First Commission, a very large part of its recommendations were enacted into law. Great improvements as to efficiency resulted. Large savings were effected. The rise in government expenditures from about $43 billion to about $63 billion, due to the Korean Hot War and the general Cold War, obscured our previous work, but this increase of expenditures has been less because of our two years presence in Washington five years ago.

We have organized this Second Commission along a somewhat different approach to the problems. To manage so gigantic a study—a study of 1,400 different agencies, spending $63 billion a year—we have set up some 20 Task Forces. They comprise, with their research staffs and officials of the Commission, about 400 men, chosen from leading citizens with professional or administrative knowledge of their particular problems. This different approach to our problem was due to the fact that there was less need for structural reorganization because of the wider demands of the Congress; and the wider responsibilities in the present law.

Our set-up this time is to organize our investigations and recommendations on functional lines straight across the whole of the Executive Agencies. That is, we have investigated and reported in one document on all the Medical Services of the Federal Government which are 66 in number. We have reported on all the Lending, Guaranteeing and Insurance agencies of the government, which are 104 in number. We have reported on all the Subsistence activities of which there are many. We have reported on the Use and Disposal of Surplus Property in all agencies. We have reported on all the Legal Services in the Executive Branch. We have reported on all the Transportation agencies. We have reported on all the Personnel and Civil Service agencies. We have reported on all Paperwork Management in the Executive Branch, known in our ofifce as the "Birth Control of Documents."

We have completed nine Reports by the Commission, and they, together with the Task Force Reports, have been published. If you wish to begin a study of civil government, you can buy the whole lot from the Public Printer at less expense than two good detective stories. I hope they will leave a stronger impression on your minds—that is, if you read them.

We have completed three more reports — Warehousing and Storage, Research and Development, and the Business Agencies Competitive with Private Enterprise. They will be available as soon as the Public Printer finishes them and they will cost you less than the price of one novel. Some people may feel that they are lacking in the "happy endings." If you have the strength and small change left, we will within the next 60 days give you eight or nine more reports for your higher learning.

We have engaged in no witch-hunting of individuals. You will not find the name of any public official in our reports except by way of acknowledgement of their fine cooperation.

Our job is to search out the systems of organization and administration which need repairs and coordination. Some of these systems were efficient enough before the fabulous growth of the Federal Executive Branches by about 14 times the size of 25 years ago. Some of these faulty systems are due to obsolete legislation which obstructs progress. Some are due to the tenacity of government agencies to the idea that their empires are sacrosanct. Some are due to the pressure groups that profit from the present set up of these agencies, and resent all change. Some of these systems are due to the primary emotion of all bureaucracies that their sleep be not disturbed.

However, all these groups are unanimous that economy and efficiency are needed in every other group.

The problems we deal with are mostly beyond the remedy of any single official. And I may say at once that there are many able and dedicated officials in government who are struggling to unwind these tangles.

In the reports the Commission has submitted to the Congress there are about 200 specific recommendations. No group of serious men will agree about everything. There has been a small minority of dissents. However, this Commission, comprising distinguished leaders of both political parties, has never divided on political grounds.

And I may add, a great debt of gratitude is owed to the 400 men associated in our work, several of whom are in this audience. They will have taken much time away from their own affairs for nearly two years to help solve some of our most difficult problems.

In demonstrating the weaknesses of certain systems of organization we, in order to prove it, occasionally present a "horrid example" of what is happening. Here is where we depart from abstract discussion into the world of realities. But it makes an unfavorable impression on pressure groups and some agencies — and they do not cling to abstract truth in their remarks about us!

The reports we have so far issued have received extraordinary support from the Press of the Nation. An analysis of a mass of editorials clipped from newspaper circulation of over 45,000,000 from every part of the country shows over 90% favorable against 10% of brick-bats. Some of the brick-bats come from the business world —and I bequeath them to you.

*An address by Mr. Hoover at the 43rd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 4, 1955.

Boston Investment Club To Hold May Meeting

BOSTON, Mass. — The May meeting of the Boston Investment Club will be held at 5 p.m. on Tuesday, May 24, at the Boston Yacht Club, Rowes Wharf. Guest speaker will be Edmund Tabell, partner in Walston & Co., New York City. He will give a technical approach to stock market prices in a talk entitled "How High is the Stock Market."

Grabosky as Partner In Newburger & Co.

PHILADELPHIA, Pa. — Newburger & Co., 1401 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit Harry Grabosky to partnership on June 1.

New England States Corp. – NYSE Firm

The New England States Corporation, members of the New York Stock Exchange, will be formed as of May 19 with offices at One Wall Street, New York City. The firm's name was previously reported as Security Supervision, Inc.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Vernon R. Herring is now with First California Company, 300 Montgomery Street.

NSTA Notes

LOS ANGELES & SAN FRANCISCO TRADERS WILL BE IN FRESNO

The Annual Joint Spring Outing of the San Francisco Security Traders Association and Security Traders Association of Los Angeles will be held this week-end beginning Friday May 20, to Sunday May 22.

The Outing will again be held at the Fresno Hacienda, Fresno, Calif., and a record attendance is again anticipated. Indoors or out a most enjoyable time is promised by the Entertainment Committee.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of May 12, 1955 are as follows:

Team:	Points:
Donadio (Capt.), Hunter, Fredericks, Demaye, Saijas, Kelly	50
Growney (Capt.), Alexander, Eiger, Valentine, Burian, Craig	42
Klein (Capt.), Rappa, Farrell, Voccolli, Strauss, Cohen	41
Manson (Capt.), Jacobs, Siegel, Topol, Frankel, Tisch	40
Mewing (Capt.), Define, Gavin, Montanye, Bradley, Nuff	38
Leone (Capt.), Nieman, O'Mara, Forbes, Greenberg, Murphy	38
Bean (Capt.), Meyer, Bies, Pollock, Lienhardt, Weiler	36
Krisam (Capt.), Clemence, Gronick, Stevenson, Weissman, McCloud	31
Kaiser (Capt.), Hunt, Werkmeister, Kullman, McGovan O'Connor	31
Meyer (Capt.), Murphy, Frankel, Swenson, Dawson-Smith Kuehner	30
Barker (Capt.), Brown, Corby, Weseman, Whiting, Fitzpatrick	28
Serlen (Capt.), Rogers, Krumholz, Wechsler, Gersten, Gold	18

5 Point Club	200 Point Club	
Will Krisam	Roy Klein	213
	Hoy Meyer	212
	Sam Gronick	208

Bowling Dinner June 2, 1955 at the Antlers
Contact Sidney Jacobs

GEORGIA SECURITY DEALERS ASSOCIATION

The Georgia Security Dealers Association will hold its summer outing on June 24, 1955 at the Brookhaven Country Club, Atlanta, Georgia.

Monthly Incentive Plan for Salesmen

LOS ANGELES, Calif. — Oscar F. Kraft, Oscar Kraft & Co., 530 West Sixth Street, in January inaugurated a "Monthly Incentive Plan" for his salesmen, which is proving most successful Each month the salesman who has done the most selling for the firm receives a trip to San Francisco, Palm Springs, or other attractive nearby spots of his own choosing, all expenses paid for himself and his wife, for three days, Friday through Sunday. Competition is keen!

Two With FIF

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles V. Ragan and Joseph A. Rigby have joined the staff of FIF Management Corp., 444 Sherman Street.

Kuhnreich Director

George A. Kuhnreich has been appointed to the Board of Directors of the Big Horn-Powder River Corporation, Rocky Mountain oil and gas producer. Mr. Kuhnreich is a petroleum analyst with the New York Stock Exchange firm of Cowen & Co., as well as Committee Counsel to the New York State Senate. He is a member of the New York Bar.

What Price Employee Benefits?

By HARRY G. WALTNER, JR.*
Insurance and Social Security Department,
Standard Oil Company of New Jersey

Holding that the "price" or cost of employee benefits cannot be measured definitively, Mr. Waltner points out not only do the current dollar costs of benefits require study, but the future or long-range costs are important. Concludes management has a high stake in knowing the value and the cost, as well as the "price," and in seeing that the true value is received by both the employees and the employer for the price paid.

The subject of our discussion might be compared with the text read by the pastor as the basis for his sermon; it is always broad enough for him to say anything he wants to say. "What Price Employee Benefits?" is a vital and much discussed subject. It is of grave concern to managements of businesses.

Harry G. Waltner, Jr.

We can think of the "price of employee benefits*" in relation to the estimated $7 billion a year being paid by the enterprises of America for or toward the cost of these voluntary benefits. We can think of it in terms of X% of payroll of a company. In either case, it may appear large. By including the employers' costs, estimated at $6 billion, for governmentally-required benefits such as Old Age and Survivors Insurance, Workmen's Compensation, Unemployment Compensation and Compulsory Temporary Disability Benefits, an imposing total is reached.

Many employers are even more concerned with what appears to be the inevitability of the increasing cost of these benefits, both voluntary and compulsory. Their concern arises not only because of the impact on the price of goods and services, and the ability of an individual company to meet those costs and remain competitive, but also because of the long-range effect upon the over-all economy. Many employers wonder if employee interest may indicate a change in attitude toward risk-taking and enterprising, and acceptance of the lure of personal security which is so enticing.

I do not propose a philosophical discussion of these latter aspects of "What Price Employee Benefits?" but will touch upon a few aspects of employe benefit programming in relation to "price" which may be of interest.

During the past several years, employers have become more aware of the long-range cost of pensions and retirement programs. This may be partially attributable to the wide public discussion of the programs, generated by the several liberalizations of the Federal Old Age and Survivors Insurance program and corresponding tax increases, and the drive of major segments of organized labor to obtain pension programs. However, it appears that comparable attention has not been given to the very substantial cost of other benefits which, though initially provided to employees, may be extended to annuitants as well.

Today, group insurance for employees is fairly common. This protection approaches the magnitude of $80 billion. The great improvement in mortality, particularly at the younger ages, during the last several years, has materially reduced the cost of this protection for employees. Accordingly, group insurance in substantial amounts may seem a bargain.

However, there is an increasing tendency of employees, reflected in the demands of their unions, to desire a continuation of this protection after retirement. In some groups where this protection is continued to annuitants, the cost per thousand of insurance is 10 times the employee cost. The potential cost dictates great care in establishing the amount of insurance, as in the long run, employees will measure the reasonableness of the amount of annuitant group insurance provided in relation to the amount of insurance in effect for an employee prior to retirement.

There is a similar factor in planning an employees' hospital, surgical and medical care program. It is becoming more and more common for employers to sponsor such programs and to contribute substantially toward their cost. Here again, although this protection is not generally continued into retirement, extending it to annuitants is becoming increasingly important. In this case also, the cost for the annuitant group is several times the cost of similar protection for employees. Here, the prospect appears particularly dim from the standpoint of "What Price Employee Benefits?"

While improved mortality, contributed to by advances in the science of medicine, may tend to reduce the cost of group life insurance, the history of the cost of medical care has been one of continued increase. It seems reasonably certain that the cost of these programs will follow this upward trend, not only because of the increase in the cost of medical care, *per se*, but due to continued demands for more comprehensive benefits. On the basis of limited available data, it appears that the cost of hospitalization for persons over 65 is three times and that of surgical care twice the cost for those below that age, who are usually employees.

Life insurance needs of annuitants are substantially less than those of employees. Accordingly, a reduction in the amount of employee insurance carried into retirement is generally acceptable to both employees and annuitants. Can the same be said of hospital and medical care benefits? Probably not to the same degree. However, a more modest program for annuitants is required because of the substantial cost involved, and is warranted and justified, as some element of medical cost are affected by the ability to pay.

As our text is broad, let us look at another aspect of the "price" of employee benefits. What is the "price" of health and welfare funds established to provide employee union members with one or more of the usual types of benefits? I am speaking of the funds which customarily are financed by employer contributions of "X" cents per hours, "X" dollars per week, or "X" per centum of payroll. Generally, the trustees of such funds not only have complete control over the operation of the fund, but also have the power to determine the conditions of eligibility and the type and amount of benefits to be provided.

A word of explanation here. The following comments are not directed to all health and welfare funds. Many of these funds, such as those in the automobile, steel, rubber, and some other industries, are ably and efficiently administered. There are literally hundreds of funds, however, believed to be largely funds participated in by a number of employers and their employees, to which these comments may be applicable in varying degrees.

During the past several months, astounding abuses and inefficiencies, some of malfeasance and some of misfeasance, have been disclosed in the administration of these funds by investigations conducted by Congressional committees, and by the New York State Insurance Department. Embezzlement, kickbacks to union leaders or criminal elements, the payment of unearned salaries and fees have been brought to light. Unethical practices, as well as waste and efficiency due to ignorance and ineptness, have appeared time and again in the handling of these funds. The diversion of these funds to the general funds of the union, running as high as 25% of the premiums used to purchase benefits for the employees, has been brought to light. What is the "price" of benefits under such conditions?

(1) One of the prices management has paid is the loss of a valuable instrument to improve relations with employees.

(2) Employees have paid a high price for the relatively small benefits provided.

(3) The owners of an enterprise, and this is particularly important where the stock of the company is publicly held, have in a sense been defrauded as it is difficult to achieve an improvement in employee morale and an increase in employee efficiency corresponding to the financial burden which has been placed upon the company.

(4) While management may say that this is, nothing more than "X" cents per hour or "X" dollars per week or "X" per centum of wages as a wage increase, the monetary price may ultimately be far greater. Management can have no guarantee against demands for increased company contributions to pay benefits desired by employees but not provided because funds have been squandered or misused.

The mere fact that the employer contributes to the fund, fastens upon him a responsibility as stated by Couper and Vaughan in their recent book "Pension Planning"—"If an employer contributes to a union-administered plan, he cannot hope to later disavow responsibility if the plan runs into difficulties." The employer's responsibility is not only a moral one, but also a legal one, as under Section 302 of the Taft-Hartley Law he has the legal obligation to participate with the union in the administration of the fund.

Unfortunately, there is strong evidence that employers have brought much of this problem upon themselves. I urge that you read a splendid article on this general subject entitled, "Racketeering in Health and Welfare Funds" by A. A. Imberman, appearing in the Harvard Business Review of November-December, 1954. On the point just mentioned, he states, "In every case of mishandling local health and welfare funds, cited or alluded to in this article, employer representatives have been a party to, knew about, or acquiesced in the hornswoggling."

What can be done in respect to these "over-priced" benefits? Mr. Imberman's conclusions seem to me to offer a remedy. This is what he suggests:

"As they are partners on the board, they (the employer trustees) can demand audited reports, examine bank and trust accounts, verify payments, get competitive bids on insurance, and generally act to see that everything is on the up-and-up, and where individual employers are afraid to assert themselves against a scheming local labor leader, there is nothing in the Taft-Hartley Law which says they cannot designate a knowledgeable outsider to represent them on the health and welfare board; the outsider can take the heat."

I would like to add a suggestion to that made by Mr. Imberman. It is that management take a new look at cents per hour or dollars per week or per centum of payroll concessions in collective bargaining; replace the "formless" type of employee benefits determined exclusively by the trustees of the welfare fund, and advance a program in which management's evaluation of benefit needs, management's selection of a priority from the shareholders' viewpoint of the types of benefits to be provided, and management's viewpoint as to the benefit objectives to be obtained, are precisely understood and fully considered. Lastly, management should see to it that the long-range cost of these benefit programs is fully understood by all having interest in the program.

"What Price Employee Benefits?" No one can measure the "price" definitively. Current dollar costs are important. The future or long-range costs of present benefits may well be more important. Clearly, such costs must be fully understood and anticipated. "What Price Employee Benefits?", however, involves factors which may be of greater importance than the dollars and cents involved. The price must be evaluated not only in those terms, but in terms of human interests and values. Management has a high stake in knowing the value and the cost, as well as the "price," and in seeing that true value is received by both the employees and the employer for the "price" paid!

*An address by Mr. Waltner before the Labor Relations Forum of the 43rd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 2, 1955.

Warren Partner in De Coppet & Doremus

William E. Warren, member of the New York Stock Exchange, will become a general partner and Jennie C. B. Gay a limited partner in De Coppet & Doremus, 63 Wall Street, New York City, on June 1. Both were partners in Warren & Company which will be dissolved as of May 31.

James Cunningham to Be Glore, Forgan Part.

CHICAGO, Ill. — On June 1 James A. Cunningham will be admitted to partnership in Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Industrial and Economic Implications of Automation

By WALTER S. BUCKINGHAM, JR.*
Assoc. Professor of Industrial Management
Georgia Institute of Technology

Dr. Buckingham discusses automation in the perspective of the long-range growth of industrialization and the evolution of business organization. Gives views of the speed and extent of automation in the future, and analyzes the economic problems which may arise because of it, with particular stress on industrial concentration; capital investment; plant location; composition of the labor force, and the level of employment. Concludes, it becomes the responsibility of everyone, particularly business and government, to insure that automation provides a better life for all peoples.

The word "automation" summarizes one of the most significant technological developments in history. Mr. D. S. Harder, Vice-President of the Ford Motor Company, has described it as "a philosophy of manufacturing." To its disciples it promises as great an improvement over current methods of business operation as the mechanized factories of the Industrial Revolution proved over the guild craftsmen of the Middle Ages. Even to the skeptic automation offers the opportunity for greater output, shorter working hours, the creation of a host of skilled jobs in maintenance, design and engineering, safer working conditions and the production of new and better goods of standardized quality and with more efficient use of raw materials. However, the parallel between the development of this new technology and the Industrial Revolution of the eighteenth century has given rise to considerable speculation as to whether automation is likely to be accompanied by the same undesirable economic effects that accompanied the original industrialization process.

W. S. Buckingham, Jr.

This paper proposes (1) to examine automation in the perspective of the long range growth of industrialization and the evolution of business organization; (2) to assess the speed and extent of automation in the future; (3) to analyze the economic problems which may arise with particular regard to industrial concentration, capital investment, plant location, composition of the labor force and the level of employment.

If properly understood, applied, developed and controlled, automation, together with atomic energy, may provide the means for eliminating poverty for the first time in the history of the world. However, the economic implications must be carefully analyzed so that the mistakes of the first Industrial Revolution can be avoided and the benefits of this new technology more equitably distributed.

As a threat, automation is particularly serious because to oppose it would be to risk national defeat in the relentless technological race for productive supremacy in the world. For the most part, the leaders of the American labor movement have given evidence of their public responsibilty by supporting technological innovations. There have been exceptions, to be sure, and they have been widely publicized, but labor's record on this score is at least as good as that of management. Full employment and prosperity in recent years have taught both labor and management that there is more to be gained from progress than from restrictionism.

The concern of labor leaders over the possible consequences of automation has been widely misinterpreted as being a fear of science and invention. Hardly anyone is afraid of technological progress any more but this does not mean that all innovations must be accepted uncritically. Every advance of progress has brought with it serious economic and social problems. The steam engine laid the cornerstone of our prosperous, urban, industrial system with its high living standards and its boundless opportunities but it also destroyed the security, craftmanship and spiritual peace which had existed in the rural, agricultural life of the Middle Ages. The modern industrial economy combines insecurity with its high living standards, specialization with its high output and anxieties and dangers with its limitless opportunities. Civilization itself brought with it a necessity of conforming to the will of organized groups. There is an old saying that you cannot bask in the morning sun of a new day without casting a shadow behind you.

Therefore, automation, like every other innovation which is in our tradition of technological progress, should be openly discussed so that its hidden dangers, if any, can be discovered, analyzed and properly controlled. The same spirit of inquisitiveness which produced automation and all other scientific achievements must be applied with equal rigor to the economic and social problems which automation, in turn, will produce. There have recently been suggestions from some people that it is akin to treason to investigate these problems, apparently on the theory that there would be no problem if only we would ignore them.

However, all of our historical experience testifies to the fact that an innovation of the scope of automation is bound to produce serious maladjustments in our economic and social structures. It is a fair bet that if there had been a political democracy in England in 1750 and if even a fraction of the hardships of the industrial revolution could have been foreseen, safeguards against them would have been developed and built into their economy. Then the nineteenth century would not have witnessed the appalling misery and gross income inequalities upon which our present high capital accumulation and living standards are based. It is an equally fair bet that the working people could have been secured against the great social costs of industrialization without any significant loss of incentives, technological progress or capital accumulation.

Regardless of whether automation turns out to be a second Industrial Revolution or merely an extension or acceleration of the mechanization process there is a possibility that its benefits may be largely dissipated by unemployment, hardships and human degradation unless it is properly understood and controlled. If, as some business leaders are claiming, there is nothing at all to worry about, then surely nothing will have been lost by an inquiry or even by the establishment of stand-by protective measures.

Definitions and Applications

Automation means a continuous and integrated operation of a production system using electronic equipment to perform routine functions and regulate and coordinate the flow and quality of production. In its broadest usage it would include the operation of the productive and administrative processes of an industrial firm. Direct human labor would largely be eliminated from production, being retained mostly for systems analyses, programming, equipment maintenance and adjustment, and managerial decision making.

Automation is already being used in many industries as either a supplement or substitute for conventional assembly line operations. The more spectacular uses of automation, particularly in taking over administrative functions and in integrating them with productive processes, remain for the future. However, there can be no question about what the potential uses of automation are. It is merely a question of time, possibly five years or less, before electronic control of business operations becomes of age in the economy.

Those who understand both the principles of business procedure and electronic equipment are saying that computers will be able to use current sales forecasting analysis to automatically adjust and integrate the chain of interrelated operations such as management, planning, sales, supply, production, budgeting, and accounting. Models, in the form of electrical networks, can be constructed and studied by economists. Artificial disturbances analogous to assumed changes in economic variables can be employed to determine the consequences of alternate courses of action. The enormous speed with which complicated problems can be solved greatly increases the possibility of experimentation within relevant time periods. For some business operations, computers can replace almost the entire workforce.

The Evolution of the Concept of Business Organization

The immediate effects in the plant of the introduction of such a process are to substitute machinery for labor, set a continuous pace at which the plant must be operated, greatly increase production and provide a more comprehensive and efficent information gathering and handling system. However, the introduction of mass production methods at the beginning of the century had all of these effects and the result was a material alteration in the character of industry. It became necessary to develop an entirely new concept of the business organization.

The nineteenth century businessman fits the title economists gave to him—"entrepreneur." The literal translation of this term is "undertaker" but the entrepreneur's function was to preside not at the burial but at the birth of a commercial venture. Specifically his functions were risk-taking and innovating. In the individualistic, frontier economy of the nineteenth century he was responsible to no one for his actions.

Mass production methods and the resulting growth of firms so large that they must depend on mass consumption for their continued existence changed all of this. Industrial and financial corporations grew so large that their risks could be pooled and losses accurately predicted and provided

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*An address by Dr. Buckingham given before the C. I. O. National Conference on Automation, Mayflower Hotel, Washington, D. C., April 14, 1955.

From Washington Ahead of the News

By CARLISLE BARGERON

Ever since atomic bombs were dropped on Hiroshima and Nagasaki, or a couple of years thereafter, when realistic people got to talking seriously about the peacetime uses of atomic energy, the harassed private electric power industry has been wearily rubbing its forehead. It's all right, and a harmless exercise of the vocal chords to be talking about the world of the future, about flying to Mars, about just batting your eye and moving your automobile and things like this, but the power industry is up against the proposition of putting up cold cash for something, but in which it can't see any returning dividends for any time in the near future, possibly not in the lifetime of the gentlemen now operating the industry.

Carlisle Bargeron

That electric power can be generated from atomic energy just as it is now generated from gas, water, oil and coal is a proven scientific fact. But just when it can be generated on a competitive basis with the other fuels is a matter that nobody knows. But it is up to the electric power industry to spend money to find out because if it doesn't the government will and the industry feels the hot breath daily of those who want the government to take over all electric power production.

However, the hard-headed, practical businessmen of the industry who have to account to the government, the public and their stockholders alike were quite disappointing to the Atomic Energy Commission. They showed little or no disposition to come in and risk their money. A rather general attitude among them was why develop another fuel when we seem to have an inexhaustible supply of energy now. Developing atomic energy might be very well for the thinkers in the laboratories, something for them to occupy their minds with, but the gentlemen who felt they had all the energy they needed from the fossil fuels, were showing plenty of sales resistance.

However, out at Duquesne Power and Light in Pittsburgh there was some more imaginative thinking on the part of the Chairman of the Board, youngish Philip Fleger. As a result of his enterprise the industry seems to be moving into atomic energy in a big way.

Fleger made the lowest and most acceptable proposal to the Atomic Energy Commission when it awarded a contract to Westinghouse for a reactor capable of providing fuel for a plant with a minimum capacity of 60,000 kilowatts, and asked for bids from the power companies for construction of the power plant. Ground was broken at a place near Pittsburgh called Shippingport last Sept. 6; the excavation has been completed and work on construction of the plant is to begin in a few weeks.

Fleger has worked out a partnership deal with the government but one which insures his company owning and operating the plant, except for the reactor which under the atomic energy act remains the property of the government. The whole set-up is expected to be in operation for testing by July, 1957. The power produced is to be used by the company but there is no expectation of making any money out of it for years to come.

The purpose of this full-scale plant is to find out the answers to many things, foremost of which, of course, is the question of how and when atomic energy can be made competitive with present fuels. This operation is, in fact, to provide an experiment for the entire industry in this country and to other countries as well. Whatever happens, Fleger's company is assured of being in on the atomic energy parade.

Since he launched upon his project, other private companies have become more active. Five companies or groups are either seeking licenses or preparing to seek them, to build full-scale commercial plants. It seems there are five different scientific concepts of how to develop atomic energy for power.

The one being pursued by Fleger, the pressurized water reactor, is the most advanced but it will serve as a guinea pig for the other techniques.

It would seem that as a result of Fleger's initiative the electric power industry has moved into the atomic energy field with both feet. No miracles are expected overnight. In fact, no one foresee the time when each home will have its own atomic unit But we will have power produced by atomic energy in midsummer of 1957. When it will begin to compete with coal, oil, gas and water is another matter.

Fred. Scadding With Columbia Securities

DENVER, Colo.—Frederick C. Scadding has joined Columbia Securities Company, Incorporated, Equitable Building, as Vice-President and Sales Manager. Mr. Scadding has been in the investment business for many years, recently with Prescott & Company and Baxter, Williams & Co. in Cleveland.

Joins Curtis Merkel

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Walter A. Fullerton, Jr. has become associated with Curtis Merkel & Co., 601 First Avenue, North. Mr. Fullerton was formerly with Goodbody & Co.

Arthur A. Maxwell With Scharff & Jones, Inc.

NEW ORLEANS, La.—Arthur A. Maxwell has become associated with Scharff & Jones, Inc., 219 Carondelet St., in the New Orleans Sales Department, where he will specialize in municipals and mutual funds. A graduate of the University of Minnesota, Mr. Maxwell was formerly with the Sales Department of General Electric Company of Houston.

R. S. Dickson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—John C. Spencer has become associated with R. S. Dickson & Co., Inc., Grant Building.

A Big Four Agreement— "Another Scrap of Paper!"

By HON. WILLIAM F. KNOWLAND*
U. S. Senator from California

Republican Senate leader expresses doubt that any permanent beneficial results would come from the Administration-sponsored plan for a Big Four meeting of the Western Powers with Russia, holding that experience demonstrates that the Communist-pledged world is not worth the paper on which it is written. Warns any appeasement with "an international bully" is "surrender on the instalment plan." Says there is no evidence Russia's long-term strategy has changed.

American foreign policy is the people's business. There is no American man, woman or child who will not be affected directly or indirectly by the present and future aspects of our foreign policy.

Sen. W. F. Knowland

Our basic foreign policy is and should be "Peace with Honor." This is far different from a policy of "Peace at any Price."

As an example of our ultimate objective, I would point to our great neighbor of Canada to the north where for a long period of our history neither that country nor ours has found it necessary to have a single fort or military establishment against the other along the entire international frontier of 3,000 miles stretching from the Atlantic to the Pacific.

We certainly hope that in our lifetime or the lifetime of our children other nations not only in the Western Hemisphere, but also in Europe, Asia and the Middle East, might live together as good neighbors as we do with Canada.

If we are half as prudent as the men who gave us this Republic and who helped to win and develop the great West, we will continue to hope and pray for peace but we will keep our powder dry.

A climate is being promoted in the Communist propaganda broadcasts, by party line followers overseas and within the United States and by many good people who may honestly believe that even a survival under Communist tyranny would be preferable to the risk of no survival at all in the event of World War III, that anyone who questions Soviet good intentions is a war monger.

According to this line of reasoning, George Washington would be considered a war monger for having joined our other founding fathers in stirring a blow for freedom.

Abraham Lincoln would fall into the same category for having taken the "Provocative Step" of supplying the Federal garrison at Fort Sumpter.

And as for Patrick Henry: He too would be muzzled for his speech wherein he said:

"Is life so sweet and peace so dear as to be purchased at the price of chains and slavery? Forbid it, Almighty God. I care not what course others may take, but as for me, give me liberty or give me death."

Russia's Disarmament Proposals

On Wednesday, May 11, the Soviet Union proposed three United Nations resolutions in order to retain the initiative in carrying out their long-term policies.

When the veneer of propaganda is removed and the customary Communist technique of using words to confuse and obstruct rather than to clarify and expedite is taken into consideration, the Soviet proposal is a fraud.

Their so-called disarmament proposal would:

(1) Destroy freedom of the press, radio, speech and public discussion in the free nations of the world relating to warning the public against the homicidal mania of Communism against human freedom. It would gag the opponents of Communism in the free world as they have been gagged behind the Iron Curtain. Since the Communist totalitarian governments already have complete control over such media of public information they have nothing to lose.

(2) Claims a success for the Korean and Geneva armistice agreements both of which have been flagrantly violated by the Chinese Communists. In Korea there is still a divided country despite pledges of 10 years ago, in which the Soviet Union joined, that it would be united and free. In Viet Nam the Geneva conference turned over half of the country and 15,000,000 people to the Communists. This is their standard of a "successful" conference.

(3) Provides for "the immediate withdrawal" of United States forces in Germany back across the Atlantic to the United States. (Approximately 3600 miles) whereas if the Soviet Union lived to their agreement (it would be the first time in a quarter of a century that they would have) their forces would only be approximately 600 miles from the Elbe.

Such a withdrawal would also contemplate two Germany's like divided Korea and Viet Nam) Each with its own "police force." It would also require the withdrawal of the Republic of Germany from the Western NATO defense alliance.

(4) Our overseas bases would have to be dismantled as a "requisite for discontinuing the arms race." We would trade a bird in hand for several in flight!

(5) Our industrial and scientific atomic know how to be made available on an "extensive" basis to all Communist countries.

(6) Yield to Chinese Communist demands for Quemoy, Matsu, Formosa, the Pescadores, Chinese Communist membership in the United Nations and removal of the provocative Seventh Fleet from the Far East, all of which contribute in Communist eyes to "the existing tense situation in certain areas of the Far East."

(7) Eliminate all trade restrictions with the Soviet Union, Communist China and their satellites, including trade in strategic materials.

(8) All the above steps to be carried out prior to getting down to the problems of an effective disarmament with adequate safeguards against Soviet deception.

During 1956 according to the security council resolution the nations "agree not to increase their armed forces and conventional armaments above the level of armaments and armed forces on Dec. 31, 1954.

Since the free world forces as of that date are known and the Communist forces are not, it sets as the starting point for future moves a top heavy Communist base.

In free countries the limitations on forces and appropriations is subject to debate and vote in Parliament and Congress and can be readily checked now.

In the Communist world this is not the case and we would have to rely on their "official figures" one month after the convention enters into force.

Unless and until Communist China becomes a "permanent member of the Security Council" the proposal is not meant to be effective.

Since without the balancing factor of the atomic weapon, Communist power could already have overrun all of Europe and Asia. Any limitation upon our development of this weapon and the testing of the same works to Communist advantage.

This is covered by the Soviet language in paragraph 5 wherein it states "simultaneously with the commencement of measures for reduction of armaments and armed forces . . . the states . . . assume a solemn obligation not to use nuclear weapons."

In the first phase of 1956, we are to abandon and dismantle all our air and naval bases abroad and return 3,600 miles across the Atlantic and 5,000 or more miles across the Pacific whereas the Soviet Union pulls back 600 miles at the most.

The production of all atomic weapons to cease in 1957. Since the location of our atomic plants and facilities are known and the Soviet locations are not known and there is no adequate inspection system provided, this proposal is all to the advantage of Soviet military supremacy.

The second Assembly resolution makes clear that the effective inspection proposals of the United States in the atomic and conventional weapon field is still not acceptable to the Soviet Union.

With apparently no embarrassment, the Soviet proposal then sets up a limited type of inspection and control similar to that established by the terms of the Korean Armistice. Since this system has prevented any real inspection in North Korea, it is understandable why the Soviet Union now advises it in the highly sensitive field of atomic and armament inspection.

Recalls Munich

History teaches us that prior experience of great powers negotiating in the absence of small allies has not reflected great credit upon the large nations, and has been disastrous to the small ones. For reference, I refer to Munich and its impact upon Czechoslovakia, to Yalta and its impact upon Poland and the Republic of China, and to Geneva and its impact upon Viet Nam.

The heads of the free Governments will be accountable and responsible to their people and to their Parliaments of Congress.

To whom will Bulganin be accountable? To the Presidium or to Khrushchev? If Bulganin is indeed himself "at the summit" to day, will he be there when the Big Four meet in June or July?

Are our western allies prepared to stand against a condemnation to perpetual slavery behind the iron curtain of the people of Poland, Czechoslovakia, Latvia, Lithuania, Estonia, Roumania, Bulgaria and Hungary?

Russia's Previous Agreements Should Be Honored

Are we to insist on previous agreements being honored before we take the Soviet's word on a new scrap of paper?

Will plans for the Republic of Germany's part in a western defense be scrapped to placate the Russian bear?

We might recall Kipling's "The Truce of the Bear." While this was written concerning the imperial Russia of the Czar it is even more applicable to Soviet Russia today.

"When he stands up like a tired man, tottering near and near;
"When he stands up as pleading, in wavering, man-brute guise,
"When he veils the hate and cunning of his little, swinish eyes;
"When he shows as seeking quarter, with paws like hands in prayer,
"That is the time of peril—the time of 'The Truce of the Bear!'"

Will we insist on the Soviet Union withdrawing, as pledged, their troops from Roumania and Hungary when the Austrian treaty is signed? Their only excuse for being in those two countries was to keep open lines of communication to their troops in Austria, or will this promise also be overlooked in order not to offend the Muscovites?

No Evidence Russia's Long-term Strategy Has Changed

There is no reliable evidence to date that would warrant a prudent person in believing that the Soviet Union or International Communism have changed their basic long-term strategy for the destruction of human freedom. In discussing American foreign policy before the American Society of Newspaper Editors in Washington, D. C. on April 22, Mr. George Meany, President of the American Federation of Labor said:

"The Communist enemy, regardless of any momentary change of tactics, regardless of any treaty the Kremlin may sign, is bent on conquering the entire world—the United States not excluded—and remolding it in the form of the totalitarian dictatorship and slave economy imposed on the people behind the iron curtain, in Russio, Roumania, outer Mongolia, and on the Chinese mainland. American labor never can be and never will be submissive or neutral towards such a total menace."

Certainly American businessmen and the public generally should be no less alert to the dangers of communism than is the American Federation of Labor as so ably and courageously expressed by the President of that great organization.

Our foreign policy should be based on human freedom. What advances it we should support and what retards it we should oppose.

The age of colonialism Asis is dead. The people in that part of the world want no part of it. Any American policy in that part of the world will suffer a handicap if it is tied directly or indirectly to European Colonialism.

Nowhere in the long history of Russia under the czars or under the commissars is there anything equal to the United States establishing the free and independent Philippine Republic nor for that matter is there anything equal to Great Britain setting up a free and independent India, Pakistan and Burma.

To the contrary, during the same period the Soviet Union was destroying the independence of Latvia, Lithuania and Estonia though they had signed treaties of friendship and non-aggression with all three of those Baltic Republics.

In Viet, Nam, Premier Diem is faced with tremendous problems. He has had the support of this country in meeting the difficult problems confronting him.

It is up to the people of free Viet Nam to make their own decision as to the type of government structure that will best suit them. If their choice is a republic and the cutting of ties with an absent ruler their decision should have the support of their Asian neighbors as well as the United States and our Western Allies.

Americans must never lose sight of the fact that ours at the time and today is the authentic revolution, it not only freed us from colonial rule, but it developed a Charter of Liberty which

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*An address by Sen. Knowland before the Convention of the Tax Executives Institute, Inc., New York City, May 12, 1955.

How Open-End Investment Companies Buy and Sell Securities

By ROBERT S. DRISCOLL*

Vice-President, Affiliated Fund and American Business Shares

Mr. Driscoll, in describing procedures of open-end investment companies in buying and selling portfolio securities, covers the various types of markets, including the national securities exchanges, special and secondary offerings, over-the-counter markets, and off-board transactions in listed stocks.

How an open-end investment company buys and sells securities should be of great interest to all brokers and dealers. The increase in assets of open-end companies from less than $500 million in 1940 to well over $6 billion at the end of 1954 represents a vigorous growth. The size of the industry makes it profitable for the investment banker, broker, and dealer to give thoughtful attention to its service requirements. And there is every reason to expect that the industry will continue to grow.

Robert S. Driscoll

It would be presumptuous, indeed, for me to stand before you and say that my comments on this subject relate to the policies and procedures of all open-end investment companies. True, all managements endeavor to supervise the assets which they manage in a prudent manner. True, also, they are all subject to the same regulations under the Investment Company Act of 1940. But their procedures may differ. Therefore, I have drawn heavily on the policies and procedures of the two open-end investment companies with which I am associated for the content of my talk today, for despite any differences in procedural details I believe that the principles of operation I will outline are followed by most well-managed companies.

Fundamental Principles in Placing Orders

Normally, there is a cost involved in the purchase or sale of securities by an investment company. This is true whether the broker or dealer in the transaction acts as an agent and charges a commission, or acts as principal and includes the cost of his services as a dealer in the price of the security.

In agency transactions, commissions paid on purchases are added to the cost of the securities and commissions paid on sales are deducted from the proceeds. In both principal and agency transactions, costs are borne by the shareholders who indirectly own the assets. It follows that management has an obligation to execute orders in a manner that seems best to serve the interests of the shareholders. Brokers should be selected on the basis of their competence and the services they render. In addition, the management of an investment company must endeavor to have orders executed at the best possible prices, net of all costs. No other consideration should be allowed to interfere with trading on these terms.

In the case of our two companies, we have a trading department operated under a vice-president who is an experienced trader. He is charged with the responsibility for placing orders and supervising their execution at the best possible terms. In our efforts to secure the lowest prices on purchases and the highest prices on sales, we encourage all brokers and dealers to submit their bids or offers. We want brokers and dealers to know that (1) if their proposal is attractive and, in our judgment, is the most economical way for the companies to consummate the trade, they will get the business, and (2) their bid or offer will not be revealed to others.

Our trading department is prepared to give a prompt response to proposals made by brokers and dealers. It has the authority to make on-the-spot decisions with respect to securities that the companies have placed on the "Buy" list or the "Sell" list. The trading department is also in a position to obtain prompt decisions on securities not on these lists. It is experienced in executing both large and small orders and at all times is well informed about conditions and prices prevailing in the market. In executing orders, we feel that there is no substitute for competence on the part of the investment company and its brokers and dealers.

The Various Types of Markets Available to Investment Companies

The general policies which I have outlined must be applied to all of the various types of markets which are available to us. These markets fall into five general categories:

(1) The national securities exchanges.

(2) Primary underwritings under a 1933 Act prospectus.

(3) Special and secondary offerings.

(4) Off-board transactions in listed securities.

(5) The over-the-counter markets.

The National Securities Exchanges

The national securities exchanges provide an auction market which contributes much to the general liquidity of securities. Orders executed on them are subject to commissions which are fixed by the exchanges. Such commissions are not subject to negotiation by the investment company.

The New York Stock Exchange is the most important of these exchanges. Most of the stocks owned by investment companies are listed on this exchange. The computation of the net asset value of their shares for sale and repurchase is largely determined by prices quoted on that exchange. Other auction markets and over-the-counter trading operations in many listed securities are based on prices quoted on the New York Stock Exchange. Investment companies depend to a great extent upon the breadth and activity of this market for their liquidity. Such a market permits them to make changes in their investments at will; to invest funds received from new shareholders promptly; and, when necessary, to sell securities quickly and at fair prices to raise funds to pay to retiring shareholders.

While the volume traded in some listed issues may not always be as great on the exchanges as in the off-the-board block trading market, the exchanges offer an advantage which may often be more than an offset to the volume factor. They are the markets in which it is easiest to execute orders on a scale up or a scale down basis. The management of an investment company may, for example, decide that stock "X" is a good buy for long-term investment at 40 and that stock "Y" is a good sale at 80. But it cannot be at all sure that stock "X" which may be under liquidation will not decline to 35 or that stock "Y" which may have an investor following will not rise to 90. In the first case, the ability to buy on a scale down and, in the second case, the ability to sell on a scale up may produce the best over-all results for the company. Also, the execution of orders on a scale often provides important clues as to the character of the market.

Relative price is usually the final determinant of the attractiveness of individual securities. The trading department of an investment company normally has a list of securities it is willing to sell at a price and another list of securities it is willing to buy at a price. When there is no pressing need for speed, the department will use periods of market weakness to buy and periods of market strength to sell. The volume of purchases and sales by the company in such cases is coordinated with the price changes in the market and the flow of new money from the sale of shares. The auction markets of the exchanges are the ideal media for this important type of operation.

Except in unusual circumstances, the trading department of our own investment companies controls the prices at which orders are executed on exchanges. Except under most unusual circumstances, it considers all orders to be day orders.

Procedures such as these require that brokers act speedily (1) in getting orders to the floor of the exchange and (2) in reporting executions, and a new market, both price and size, after each execution. It is essential that brokers keep the company advised of all the pertinent facts about the market for the security being bought or sold. Further, all transactions must be carried out in a manner that provides for absolute secrecy. Leaks in a broker's organization provide information to others which they can use to compete in the market with the investment company. Such a development would quickly destroy the confidence of the investment company in the broker.

Underwritings Under a Prospectus

Security issues which are underwritten and registered under the Securities Act of 1933 are offered to investors at a fixed price which includes a fixed gross profit to the underwriter. The investment company cannot negotiate with the underwriter or with dealers for a lower price while the syndicate agreement is in force. Therefore, if it wishes to buy the security at the price fixed by the prospectus, its major concern must be that it is able to buy the quantity that it desires.

Where demand for a security is heavy, the ability to buy the quantity desired can become a difficult problem. The investment company can usually protect itself by following the practice of placing orders with the managing underwriter. The managing underwriter can often arrange to fill the company's requirements by making a group sale for the account of all members in the underwriting.

Another and even more useful method is the purchase of the security from a managing underwriter by means of "Directed Sales." This method allows the investment company not only to fill its requirements but also to

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*A paper by Mr. Driscoll before the Institute of Investment Bankers, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa., April 7, 1955.

Connecticut Brevities

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As part of its program of diversification **The Safety Car Heating and Lighting Company, Inc.** has acquired through exchange of stock a high percentage of the stock of **Automatic Temperature Control Company, Inc.**, a Philadelphia manufacturer of automatic controls for industrial operations and processes. Operations of the new subsidiary will be continued at Philadelphia.

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(Special to The Financial Chronicle)

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Public Relations: the Creation of Understanding

By EDWARD C. POTTER*
Georgeson & Co., New York City

Public relations expert explains field of public relations, in which he includes stockholder relations. Reveals a management philosophy with respect to stockholders in which he discusses as pertinent questions: (1) Do we know our stockholders? (2) Do our stockholders know us? (3) What do we want from our stockholders? and (4) What do our stockholders want of us? Lists objectives of a sound stockholders program.

To introduce the subject of my talk, I am going to ask some questions and then attempt to answer them. These questions are —What are Public Relations?—What does the word "Relations" imply when used in this sense? —What are "Stockholder Relations?" — and To what extent should Stockholder Relations be a part of the Public Relations function?

What Are Public Relations?

There are almost as many definitions of Public Relations as there are public relations practitioners. My own definition is a short one—"The Creation of Understanding." This applies equally well to the effort of Ivy Lee to change the popular conception of John D. Rockefeller from a business pirate to a warm-hearted philanthropist, and to the effort to make the world believe that our American free enterprise system is superior to any form of collectivism, socialism or communism. For, if we do not understand the elder Rockefeller's character or if we do not understand our capitalistic system, we will go on believing distorted facts or even falsehoods.

Edward C. Potter

What Do We Mean by "Relations"?

This leads us directly into the second question — What do we mean by "relations"? And the answer is equally simple. Relations implies reciprocity, the reaction of one mind on another. You cannot talk into a vacuum, you cannot write copy if there is no one read it. You cannot gain understanding of the individual or the company or the cause you serve unless you can get a response from your audience.

In many cases the broad term public relations breaks down into a number of divisions—community relations, customer relations, labor relations or stockholder relations. In some companies the responsibility for these different divisions is in the hands of different individuals, experts in their respective fields. In others, while there may be specialists for each division of activity, all come under one head in the public relations department. While it is impossible to say which is the best system, at least it can be said that the best method depends on the company itself, its position in its industry, its managerial policies, and especially its objectives. Where negotiations with labor are a vital function, more emphasis will be placed on the labor relations division. Where consumer research is an objective, this may be a primary function of the public relations arm. But whatever else may be of essential interest, stockholder relations should always be in the forefront. Why? Simply because the stockholders own the business. Without them there would be no sales, no labor to contend with, even the good name of the company would be of a little value if there were no satisfied stockholders ready and willing to invest in the company's shares.

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What Are Stockholder Relations?

What, then, are Stockholder Relations? Or perhaps we should say what are *good* stockholder relations, for there can be bad stockholder relations too and that is a pitiful situation. To define stockholder relations, we need go no further than my first definition—"the creation of understanding" on the part of the owners of the business of what the company is, what it makes, where it stands today, and where it is going.

The leaders of American industry have long been conscious of the desirability of good stockholder relations. They realize that stockholders are not only an important asset in supplying increasing capital needs but also that, as individual citizens, they are partners in the free enterprise system and, as such, can make their voices heard on governmental and political matters which affect their interest. Is it not true that the more than one million stockholders of the Telephone Company are an important factor in creating a favorable climate for rate increases necessary for extending the company's services? If they were hostile instead of friendly, would there not be a hue and cry when application for a rate increase was made? Is it not their strong feeling of friendship which reacts on those who might wish to declare the company an unholy monopoly which should be broken up into a number of competing elements?

Up to the time when the government commenced its suit to divorce the du Pont company from its ownership of large interests in General Motors and United States Rubber, du Pont had done very little to create understanding among its stockholders. But they seized this opportunity to make their position clear. In one of the most effective letters I have ever read, they took their stockholders into their confidence, showed that millions of dollars had been spent on research and tests before even a single thread of nylon yarn was ready for the market and since that initial letter have developed one of the most far-reaching programs of stockholder relations in the business world. Is it not reasonable to assume that this effort did much to create a climate of understanding which pervaded even to the court where the issue was decided in du Pont's favor? So with other companies whose stockholders are also potential customers. Is it not reasonable to believe that when a stockholder is happy with his investment, when he believes in the integrity of the company where he has placed his funds, he will also believe in the integrity and rightness of its products?

These days, everyone knows what a "proxy contest" is. Only a year ago, publications such as the "New Yorker," "Time" and "Tide" were sending reporters downtown to find out what a proxy was. But although these battles made the headlines, there have always been proxy contests, and it is no exaggeration to say that most proxy contests could have been avoided if the management had had a sound stockholder relations concept. Note, I am not speaking of a stockholder relations program — many companies have a program of sorts. But a program can only be effective in establishing good stockholder relations if it grows out of a sound conception on the part of management of its responsibility to the owners of the business. Anyone can dress up an annual report. Anyone can tell the good things and ignore the bad. But unless the management policy behind these outward manifestations of regard is in the stockholder's interest, paper and pictures and colored ink will never win the stockholder's confidence.

There is a comparatively small company whose stockholders have had no cause to complain about the liberal dividends they have been receiving for many years. But an enterprising individual decided that this company, because of its size, was one where he could purchase sufficient stock to force himself on the board and obtain for himself a paying position. Having reached the point where he owned about 12% of the outstanding stock, he went to see the president and made his demands. Not only did he want to be a director and an officer but also thought the dividends were too high and that the money could be better used in increasing officers' salaries, including his own. When it was pointed out to him that such an action would result in many dissatisfied stockholders, his answer was that this would depress the market so that he and his associates could buy more stock at bargain prices. When his requests were refused he demanded a stockholder list and when this was denied him, he brought suit to obtain it. The report of the Master who heard the case contained all the evidence of this person's attempts to force himself into the management. None of this might ever have reached the ears of the widely scattered stockholders if the management had not had the good sense to send copies of the Master's report to every owner and to follow this with a series of personal interviews. By thus taking the stockholders into their confidence, the management was able to avert an attack which might well have caused the company's ruin.

Corporate Attitudes Toward Stockholders

It may be hard to believe but there are still saome companies whose managements think that the less they tell their stockholders the better. If you suggest that they are playing with fire, they will point out that they regularly get a vote of 60% or more for their annual meetings and that probably not more than one or two letters of inquiry or complaint are received from stockholders in the course of a year. They do not realize that if the meeting is routine they can count on nearly a 100% vote from the stock in brokers' names which generally runs to 24 or 30% of the total outstanding. If this is the case, it is easy to calculate that less than a majority of the stock in individual names has been voted. The fact that few communications are received is equally misleading. Happy stockholders rarely write unless you give them some encouragement to do so and for every critical stockholder who does write there are probably many others who are content to nurse their grievances until some opposition committee enlists their support.

Then there are the companies who tell you that they believe in stockholder relations but actually hesitate to take the plunge. They may be willing or even anxious to give out good news but run for cover as soon as there is a downtrend or a dividend is passed. Actually it is far more important to give the stockholders the bad news because if you don't, they will learn it from other sources and blame you for not telling them first.

Other companies are still more progressive and are really interested in establishing good relations with their stockholders, but do not quite know how to go about it. They look over the reports and other material of some of their competitors or possibly those of a large company in another field and decide that this is what they need. So, without any real reason for doing so, they simply copy what the other companies are doing although in fact their situation may be quite different. A company which has been through a tough period and has not paid dividends for some time is only courting stockholder resentment if it spends money on a fancy annual report. Many a time a stockholder has said, "That report must have cost a dollar a copy. I would rather have had the dollar in dividends."

Another company feels that its whole future depends on the degree to which its stock is active on the market. So it employs someone who claims to have a wide acquaintance in Wall Street. His function is to get out propaganda to brokers and security analysts painting a rosy picture of the company's activities in the hope that this will lead to activity in the stock and a rising market for the shares. Usually, when all stocks are going up, this stock will move with the trend regardless of the propaganda. But, when the market turns downward, all the propaganda in the world will not prevent this stock from declining unless there are substantial reasons to the contrary. Perhaps a speculative following has been attracted to the stock on the rise. These speculators are bound to be disappointed if it falls. Such people never blame themselves for their lack of foresight nor will they blame the broker or advisor who recommended the shares. Instead they blame the company's management for not having fulfilled their expectations.

There is, however, a growing number of companies who approach the subject of stockholder relations sincerely. They recognize that, unlike other forms of public relations, stockholder communication cannot be a one-way street. Before you can establish good stockholder relations you must recognize that the reaction of the stockholder is an all-important element in the success of your program. When you issue press releases to that vast unknown public which reads the newspapers all you can count on is an intangible response. But your stockholders are a known group of persons. Their names are listed on your records. Communications addressed to them are received, if not always read. So, you should not only hope for a response, you should expect one and build your message so as to get one.

How can this be done?

Management Philosophy With Respect to Stockholders

In the first place it must be recognized that the stockholders are the owners of the business. By their votes they have elected the directors who in turn appoint the management. Thus both the directors and the management are responsible to the stockholders, first, last and all the time.

Once this principle has been accepted it naturally follows that the policies and the philosophy of the management must be conceived and carried out in the interest of the stockholders. When dividends are up for consideration, the question should not be—Do we need to retain cash rather than pay it out? It should be—Is it better for our stockholders to expand our plant or renew our machinery and thus increase their equity or should we limit these expenditures and pay a higher percentage of earnings in dividends? Or when pensions, or bonuses, or options, or other forms of incentive compensation are being considered it is not enough to say—we need to keep good men or encourage the younger executives. This is not to say that expansion plans or incentive compensation are undesirable in themselves. They may, in fact be most desirable from the stockholders' standpoint. But the point I make is that in considering these questions the result of each decision should be weighed from the standpoint of the stockholders' interest and not alone from the standpoint of what is best for the management in control.

So, before embarking on any program, whether simple or extensive, the management must have the interest of its stockholders at heart. The only way to gain stockholder goodwill is to be good. Many a successful company has poor stockholder relations because it has not adopted this principle, and many companies with a poor

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How Open-End Investment Companies Buy and Sell Securities

By ROBERT S. DRISCOLL*
Vice-President, Affiliated Fund and American Business Shares

Mr. Driscoll, in describing procedures of open-end investment companies in buying and selling portfolio securities, covers the various types of markets, including the national securities exchanges, special and secondary offerings, over-the-counter markets, and off-board transactions in listed stocks.

How an open-end investment company buys and sells securities should be of great interest to all brokers and dealers. The increase in assets of open-end companies from less than $500 million in 1940 to well over $6 billion at the end of 1954 represents a vigorous growth. The size of the industry makes it profitable for the investment banker, broker, and dealer to give thoughtful attention to its service requirements. And there is every reason to expect that the industry will continue to grow.


Robert S. Driscoll

It would be presumptuous, indeed, for me to stand before you and say that my comments on this subject relate to the policies and procedures of all open-end investment companies. True, all managements endeavor to supervise the assets which they manage in a prudent manner. True, also, they are all subject to the same regulations under the Investment Company Act of 1940. But their procedures may differ. Therefore, I have drawn heavily on the policies and procedures of the two open-end investment companies with which I am associated for the content of my talk today, for despite any differences in procedural details I believe that the principles of operation I will outline are followed by most well-managed companies.

Fundamental Principles in Placing Orders

Normally, there is a cost involved in the purchase or sale of securities by an investment company. This is true whether the broker or dealer in the transaction acts as an agent and charges a commission, or acts as principal and includes the cost of his services as a dealer in the price of the security.

In agency transactions, commissions paid on purchases are added to the cost of the securities and commissions paid on sales are deducted from the proceeds. In both principal and agency transactions, costs are borne by the shareholders who indirectly own the assets. It follows that management has an obligation to execute orders in the manner that seems best to serve the interests of the shareholders. Brokers should be selected on the sole basis of their competence and the services they render. In addition, the management of an investment company must endeavor to have orders executed at the best possible prices, net of all costs. No other consideration should be allowed to interfere with trading on these terms.

In the case of our two companies, we have a trading department operated under a vice-president who is an experienced trader. He is charged with the responsibility for placing orders and supervising their execution at the best possible terms. In our efforts to secure the lowest prices on purchases and the highest prices on sales, we encourage all brokers and dealers to submit their bids or offers. We want brokers and dealers to know that (1) if their proposal is attractive and, in our judgment, is the most economical way for the companies to consummate the trade, they will get the business, and (2) their bid or offer will not be revealed to others.

Our trading department is prepared to give a prompt response to proposals made by brokers and dealers. It has the authority to make on-the-spot decisions with respect to securities that the companies have placed on the "Buy" list or the "Sell" list. The trading department is also in a position to obtain prompt decisions on securities not on these lists. It is experienced in executing both large and small orders and at all times is well informed about conditions and prices prevailing in the market. In executing orders, we feel that there is no substitute for competence on the part of the investment company and its brokers and dealers.

The Various Types of Markets Available to Investment Companies

The general policies which I have outlined must be applied to all of the various types of markets which are available to us. These markets fall into five general categories:

(1) The national securities exchanges.

(2) Primary underwritings under a 1933 Act prospectus.

(3) Special and secondary offerings.

(4) Off-board transactions in listed securities.

(5) The over-the-counter markets.

The National Securities Exchanges

The national securities exchanges provide an auction market which contributes much to the general liquidity of securities. Orders executed on them are subject to commissions which are fixed by the exchanges. Such commissions are not subject to negotiation by the investment company.

The New York Stock Exchange is the most important of these exchanges. Most of the stocks owned by investment companies are listed on this exchange. The computation of the net asset value of their shares for sale and repurchase is largely determined by prices quoted on that exchange. Other auction markets and over-the-counter trading operations in many listed securities are based on prices quoted on the New York Stock Exchange. Investment companies depend to a great extent upon the breadth and activity of this market for their liquidity. Such a market permits them to make changes in their investments at will; to invest funds received from new shareholders promptly; and, when necessary, to sell securities quickly and at fair prices to raise funds to pay to retiring shareholders.

While the volume traded in some listed issues may not always be as great on the exchanges as in the off-the-board block trading market, the exchanges offer an advantage which may often be more than an offset to the volume factor. They are the markets in which it is easiest to execute orders on a scale up or a scale down basis. The management of an investment company may, for example, decide that stock "X" is a good buy for long-term investment at 40 and that stock "Y" is a good sale at 80. But it cannot be at all sure that stock "X" which may be under liquidation will not decline to 35 or that stock "Y" which may have an investor following will not rise to 90. In the first case, the ability to buy on a scale down and, in the second case, the ability to sell on a scale up may produce the best over-all results for the company. Also, the execution of orders on a scale often provides important clues as to the character of the market.

Relative price is usually the final determinant of the attractiveness of individual securities. The trading department of an investment company normally has a list of securities it is willing to sell at a price and another list of securities it is willing to buy at a price. When there is no pressing need for speed, the department will use periods of market weakness to buy and periods of market strength to sell. The volume of purchases and sales by the company in such cases is coordinated with the price changes in the market and the flow of new money from the sale of shares. The auction markets of the exchanges are the ideal media for this important type of operation.

Except in unusual circumstances, the trading department of our own investment companies controls the prices at which orders are executed on exchanges. Except under most unusual circumstances, it considers all orders to be day orders.

Procedures such as these require that brokers act speedily (1) in getting orders to the floor of the exchange and (2) in reporting executions, and a new market, both price and size, after each execution. It is essential that brokers keep the company advised of all the pertinent facts about the market for the security being bought or sold. Further, all transactions must be carried out in a manner that provides for absolute secrecy. Leaks in a broker's organization provide information to others which they can use to compete in the market with the investment company. Such a development would quickly destroy the confidence of the investment company in the broker.

Underwritings Under a Prospectus

Security issues which are underwritten and registered under the Securities Act of 1933 are offered to investors at a fixed price which includes a fixed gross profit to the underwriter. The investment company cannot negotiate with the underwriter or with dealers for a lower price while the syndicate agreement is in force. Therefore, if it wishes to buy the security at the price fixed by the prospectus, its major concern must be that it is able to buy the quantity that it desires.

Where demand for a security is heavy, the ability to buy the quantity desired can become a difficult problem. The investment company can usually protect itself by following the practice of placing orders with the managing underwriter. The managing underwriter can often arrange to fill the company's requirements by making a group sale for the account of all members in the underwriting.

Another and even more useful method is the purchase of the security from a managing underwriter by means of "Directed Sales." This method allows the investment company not only to fill its requirements but also to

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The leaders of American industry have long been conscious of the desirability of good stockholder relations. They realize that stockholders are not only an important asset in supplying increasing capital needs but also that, as individual citizens, they are partners in the free enterprise system and, as such, can make their voices heard on governmental and political matters which affect their interest. Is it not true that the more than one million stockholders of the Telephone Company are an important factor in creating a favorable climate for rate increases necessary for extending the company's services? If they were hostile instead of friendly, would there not be a hue and cry when application for a rate increase was made? Is it not their strong feeling of friendship which reacts on those who might wish to declare the company an unholy monopoly which should be broken up into a number of competing elements?

Up to the time when the government commenced its suit to divorce the du Pont company from its ownership of large interests in General Motors and United States Rubber, du Pont had done very little to create understanding among its stockholders. But they seized this opportunity to make their position clear. In one of the most effective letters I have ever read, they took their stockholders into their confidence, showed that millions of dollars had been spent on research and tests before even a single thread of nylon yarn was ready for the market and since that initial letter have developed one of the most far-reaching programs of stockholder relations in the business world. Is it not reasonable to assume that t is effort did much to create a climate of understanding which pervaded even to the court where the issue was decided in du Pont's favor? So with other companies whose stockholders are also potential customers. Is it not reasonable to believe that when a stockholder is happy with his investment, when he believes in the integrity of the company where he has placed his funds, he will also believe in the integrity and rightness of its products?

These days, everyone knows what a "proxy contest" is. Only a year ago, publications such as the "New Yorker," "Time" and "Tide" were sending reporters downtown to find out what a proxy was. But although these battles made the headlines, there have always been proxy contests, and it is no exaggeration to say that most proxy contests could have been avoided if the management had had a sound stockholder relations concept. Note, I am not speaking of a stockholder relations program — many companies have a program of sorts. But a program can only be effective in establishing good stockholder relations if it grows out of a sound conception on the part of management of its responsibility to the owners of the business. Anyone can dress up an annual report. Anyone can tell the good things and ignore the bad. But unless the management policy behind these outward manifestations of regard is in the stockholder's interest, paper and pictures and colored ink will never win the stockholder's confidence.

There is a comparatively small company whose stockholders have had no cause to complain about the liberal dividends they have been receiving for many years. But an enterprising individual decided that this company, because of its size, was one where he could purchase sufficient stock to force himself on the board and obtain for himself a paying position. Having reached the point where he owned about 12% of the outstanding stock, he went to see the president and made his demands. Not only did he want to be a director and an officer but also thought the dividends were too high and that the money could be better used in increasing officers' salaries, including his own. When it was pointed out to him that such an action would result in many dissatisfied stockholders, his answer was that this would depress the market so that he and his associates could buy more stock at bargain prices. When his requests were refused he demanded a stockholder list and when this was denied him, he brought suit to obtain it. The report of the Master who heard the case contained all the evidence of this person's attempts to force himself into the management. None of this might ever have reached the ears of the widely scattered stockholders if the management had not had the good sense to send copies of the Master's report to every owner and to follow this with a series of personal interviews. By thus taking the stockholders into their confidence, the management was able to avert an attack which might well have caused the company's ruin.

Corporate Attitudes Toward Stockholders

It may be hard to believe but there are still saome companies whose managements think that the less they tell their stockholders the better. If you suggest that they are playing with fire, they will point out that they regularly get a vote of 60% or more for their annual meetings and that probably not more than one or two letters of inquiry or complaint are received from stockholders in the course of a year. They do not realize that if the meeting is routine they can count on nearly a 100% vote from the stock in brokers' names which generally runs to 24 or 30% of the total outstanding. If this is the case, it is easy to calculate that less than a majority of the stock in individual names has been voted. The fact that few communications are received is equally misleading. Happy stockholders rarely write unless you give them some encouragement to do so and for every critical stockholder who does write there are probably many others who are content to nurse their grievances until some opposition committee enlists their support.

Then there are the companies who tell you that they believe in stockholder relations but actually hesitate to take the plunge. They may be willing or even anxious to give out good news but run for cover as soon as there is a downtrend or a dividend is passed. Actually it is far more important to give the stockholders the bad news because if you don't, they will learn it from other sources and blame you for not telling them first.

Other companies are still more progressive and are really interested in establishing good relations with their stockholders, but do not quite know how to go about it. They look over the reports and other material of some of their competitors or possibly those of a large company in another field and decide that this is what they need. So, without any real reason for doing so, they simply copy what the other companies are doing although in fact their situation may be quite different. A company which has been through a tough period and has not paid dividends for some time is only courting stockholder resentment if it spends money on a fancy annual report. Many a time a stockholder has said, "That report must have cost a dollar a copy. I would rather have had the dollar in dividends."

Another company feels that its whole future depends on the degree to which its stock is active on the market. So it employs someone who claims to have a wide acquaintance in Wall Street. His function is to get out propaganda to brokers and security analysts painting a rosy picture of the company's activities in the hope that this will lead to activity in the stock and a rising market for the shares. Usually, when all stocks are going up, this stock will move with the trend regardless of the propaganda. But, when the market turns downward, all the propaganda in the world will not prevent this stock from declining unless there are substantial reasons to the contrary. Perhaps a speculative following has been attracted to the stock on the rise. These speculators are bound to be disappointed if it falls. Such people never blame themselves for their lack of foresight nor will they blame the broker or advisor who recommended the shares. Instead they blame the company's management for not having fulfilled their expectations.

There is, however, a growing number of companies who approach the subject of stockholder relations sincerely. They recognize that, unlike other forms of public relations, stockholder communication cannot be a one-way street. Before you can establish good stockholder relations you must recognize that the reaction of the stockholder is an all-important element in the success of your program. When you issue press releases to that vast unknown public which reads the newspapers all you can count on is an intangible response. But your stockholders are a known group of persons. Their names are listed on your records. Communications addressed to them are received, if not always read. So, you should not only hope for a response, you should expect one and build your message so as to get one.

How can this be done?

Management Philosophy With Respect to Stockholders

In the first place it must be recognized that the stockholders are the owners of the business. By their votes they have elected the directors who in turn appoint the management. Thus both the directors and the management are responsible to the stockholders, first, last and all the time.

Once this principle has been accepted it naturally follows that the policies and the philosophy of the management must be conceived and carried out in the interest of the stockholders. When dividends are up for consideration, the question should not be—Do we need to retain cash rather than pay it out? It should be—Is it better for our stockholders to expand our plant or renew our machinery and thus increase their equity or should we limit these expenditures and pay a higher percentage of earnings in dividends? Or when pensions, or bonuses, or options, or other forms of incentive compensation are being considered it is not enough to say—we need to keep good men or encourage the younger executives. This is not to say that expansion plans or incentive compensation are undesirable in themselves. They may, in fact be most desirable from the stockholders' standpoint. But the point I make is that in considering these questions the result of each decision should be weighed from the standpoint of the stockholders' interest and not alone from the standpoint of what is best for the management in control.

So, before embarking on any program, whether simple or extensive, the management must have the interest of its stockholders at heart. The only way to gain stockholder goodwill is to be good. Many a successful company has poor stockholder relations because it has not adopted this principle, and many companies with a poor

Continued on page 44

THE MARKET . . . AND YOU

By WALLACE STREETE

If proof is needed that the stock market has been returned to the professionals, the action of the past week could easily attest to this. For it has been many months since the market went through its paces in such a listless fashion as in this period; especially was this true on Tuesday.

* * *

The zest is gone. Whether it's a temporary situation born of the Federal Reserve's actions to curb speculation or a fear that real peace might slow down some branches of industry, the complexion of the market has undergone decided change. It means just one thing: caution has become more than a byword.

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The aircrafts continued this week to suffer from two threats — the report that the House Appropriations Committee has started a new investigation of profits on defense contracts, and the vague possibility that with any definite progress toward real peace, pressure will be brought on the Defense Dept. to curtail spending.

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Thus you have the situation that while good corporate news under the changed market conditions these days fails to strike the responsive chord it did a short time ago, unfavorable developments (the above mentioned threats) are touching off profit taking.

* * *

Sinking Airplanes

A wide list of the airplane issues sank to new lows this week, including Boeing, Douglas, Grumman, Lockheed and North American, and even a fair amount of short covering, noticeable on Tuesday, failed to spark any real rally. Some of these issues are 30 points or more below their best for the year and 15 or more points under the levels of a few weeks ago.

* * *

In group action only the chemical shares and the store stocks seem to find favor in the more important segments of the list. This has been true of the chemicals for several weeks now and resulted in some profit-taking early this week. duPont and Monsanto, however, rebounded to score moderate gains later in the period.

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Upside Performers

Only a few small groupings outperformed the chemicals on the upside this week. These were the leather companies, the anthracite issues, radio-tv and distillers.

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Steels and motors had trouble resisting the process of slow downdrift which has marked recent sessions. In fact, the steel issues were among the weakest issues Monday when the market witnessed one of the strangest setbacks in some time. Stocks on that day dropped sharply without any great pressure; the Dow-Jones industrial average, for instance, backed away almost 10 points from a morning high to close almost five points net lower without the ticker once going late.

* * *

The oils were inconspicuous in the period although a few eased to new low ground, including Standard Oil of Indiana. Here too there was a gradual erosion in prices with the result that as a group the oils showed one of the biggest reactions from the previous week.

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Store Stocks Act Well on Possible Tax Windfall

Little notice is given to the day to day movements of the store stocks, but as a whole this group is putting together one of the better overall moves in the market.

* * *

Two factors are responsible. One is that the good year-to-year gains in retail sales has continued long enough for a pattern gain for this year to be estimated. It is expected that on the average the gain will be from 5 to 10%. First quarter results show that the gain in retail profits ran well above this percentage rise.

* * *

More important, however, is the fact that for some department stores there might be a large tax refund shaping up. Settlement of the protracted "lifo' litigation instituted seven years ago may be reached before the end of the year.

* * *

There's the possibility of an agreement between the Treasury and individual stores without waiting for judicial determinations. If not a decision in a Gimbel's suit to recover some $6,000,000 is expected when the U. S. Court of Claims resumes in the autumn. It could spell out to a big windfall for several others who have a similar case.

* * *

Utilities came to life a bit this week when it was noticed that investment companies are again looking over the list. There are a number of people who like to follow along with the "big fellows." Consequently issues like Florida Power came into favor.

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Among the rail issues, Southern Railway and Norfolk & Western performed well this week while Union Pacific had to withstand several sessions of liquidation.

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Westinghouse Electric got into new low ground this week to give the electrical equipments a soft reading. Meanwhile, General Electric managed to hold fairly stable within five points of its best for the year.

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Strong Specialties

Among specialties H. J. Heinz, American Hawaiian Steamship and Brown & Bigelow got a fair play during several sessions. Heinz managed to tack on successive new tops and Brown & Bigelow got into an upswing apparently on the leaking of news, later confirmed, that it was a candidate for merging into Textron. This is another of those tax carryback credit situations, which seems right up the alley for Royal Little. Zenith Radio continued erratic.

* * *

A word about volume. In recent sessions transactions on the Stock Exchange have fallen below the 2,000,000 share daily mark; in fact there have been only four of five days this year to date wherein volume has been less than 2,000,000 shares — and all but one of these has been for sessions this past week. The other date was on March 22.

Baltimore & Ohio RR. Arranges Private Sale Of Terminal RR. Bonds

The Baltimore & Ohio RR. Co. has arranged to place privately through Glore, Forgan & Co., Halsey, Stuart & Co. Inc. and Alex. Brown & Sons its holdings of $32,000,000 first mortgage 4% bonds due April 1, 1960 of The Baltimore & Ohio Chicago Terminal RR. Co. at 100% and accrued interest.

Under the sales contract, extension of the maturity of the bonds to 1974 or 1985 would be permitted under certain circumstances.

A petition to place the guarantee of the Baltimore & Ohio RR. Co. behind the Terminal Railroad obligations was approved by the Interstate Commerce Commision on April 27.

Birkenmayer Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Charles K. Snodgrass is now with Birkenmayer & Co., Denver Club Bldg.

With Columbia Secs.

(Special to The Financial Chronicle)

DENVER, Colo.—Marvin I. Naiman and William H. Weakly have joined the staff of Columbia Securities Co., Inc., Equitable Bldg.

N.Y. Mun. Bond Women To Hold Annual Outing

The fifth annual outing of The Municipal Bond Women's Club of New York will be held this year on Friday, June 17, at the Sleepy Hollow Country Club, Scarborough-on-Hudson, N. Y.

Helen D. Kane, of G. C. Haas & Co., is Chairman of the outing committee. Other members of the committee are: Ann Carroll, of Geo. B. Gibbons & Company, Inc.; Norma Detlef, of Lehman Brothers; Elaine Malast and Catherine Wies, both of Halsey, Stuart & Co. Inc.; Joan O'Brien, of Caldwell, Marshall, Trimble & Mitchell, and Lillian Whelan, of C. F. Childs and Company, Inc.

The outing program will include tennis, golf, swimming, and horseback riding, buffet luncheon and dinner, and a surprise added attraction. A stock exchange with U. S. Savings Bonds as prizes will be operated.

Pasadena Bond Club To Hold Election

PASADENA, Calif.—The Pasadena Bond Club will hold its spring golf outing and 34th annual election of officers May 20, 21 and 22 at the Santa Barbara Biltmore Hotel. An interesting program of entertainment has been arranged by the General Chairman of the Outing—Bruce Work, The Pasadena Corp., including golf, swimming at the Coral Casino, awarding of prizes, etc. Abe DeCant, Paine, Webber, Jackson & Curtis, Golf Chairman, is in charge of the Calcutta Sweepstakes and Golf Tournament scheduled Saturday at the Montecito Country Club. Ted Seguin, Bingham, Walter & Hurry, is President.

Watson Director of First California Co.

SAN FRANCISCO, Calif.—Donald Watson, Vice-President and General Manager of the Weyerhauser Steamship Company, has been elected to the Board of Directors of First California Company, 300 Montgomery Street, it was announced by H. T. Birr, Jr., President of the rapidly expanding investment firm.

Mr. Watson has been prominently identified in the Pacific Coast shipping industry for many years. He is vice-president and serves on the advisory board of the Pacific American Steamship Association; is on the Board of Directors of the Pacific Maritime Association; is first vice-president of the Marine Exchange, and is a member of the Board of Governors of the Propeller Club.

Ray C. Moore Joins Waldron Co. Staff

SAN FRANCISCO, Calif.—Ray C. Moore, has recently become associated with Waldron & Co. in Russ Building. Mr. Moore is a specialist in all mining securities and will assist the trading department in this capacity.

Obermann V.-P. of Metropolitan St. Louis

ST. LOUIS, Mo.—Metropolitan St. Louis Co., 718 Locust Street, members of the Midwest Stock Exchange, announce that Richard C. Obermann has become associated with them as Vice-President in charge of their Real Estate Department. Mr. Obermann for many years was Vice-President in charge of the Real Estate and Real Estate Loan Department of the Mercantile Trust Company.

Lawfer Director

Stanley E. Lawfer

Stanley E. Lawfer, Senior Vice-President of A. W. Benkert & Co., Inc., New York investment securities organization, has been elected a director of the New York, Susquehanna & Western Rail Road Company. Mr. Lawfer has been with the Benkert organization since 1937.

Business Man's Bookshelf

Board of Trade: Chicago, 1954 — 97th Annual Report — Chicago Board of Trade, Chicago, Ill. (cloth).

Book Manuscripts — Booklet CN on publishing, promotion and distribution of your book (particularly on business and financial topics) — Vantage Press, Inc., 120 West 31st Street, New York, N. Y. (booklet on request).

Business Enterprises—Commission on Organization of the Executive Branch of the Government —Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 45 cents.

Controversial Facets of Old-Age Security — Paper presented to the American Philosophical Society of Philadelphia by M. Albert Linton — Provident Mutual Life Insurance Company of Philadelphia, Philadelphia, Pa. (paper).

Our Natural Resources: Their Development and Use—Edited by Juanita Morris Kreps—H. W. Wilson Company, 950 University Avenue, New York 52, N. Y. (cloth) $2.

Personnel Policy in a Public Agency — The TVA Experience —Harry L. Case—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.

Sleeping Beauties Between the Sheets (Balance Sheets) — William Hudson, Jr.—A booklet on asset values of securities—Monumental Press, Baltimore 11, Md., $1.

Tariffs: The Case for Protection— Lewis E. Lloyd — Devin-Adair Company, 23 East 26th Street, New York 10, N. Y. (cloth), $3.50.

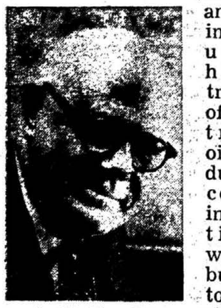
When You Invest — The Role of Investment Companies — Maxwell S. Stewart—Public Affairs Pamphlets, 22 East 38th Street, New York 16, N. Y. (paper), 25 cents.

Oil and World Trade

By A. T. PROUDFIT*
Member, Board of Directors
Standard Oil Company (N. J.)

Stressing importance of oil in the growth of world trade, Mr. Proudfit reveals the worldwide quest for new oil resources and markets. Points out, in last quarter century, new additional energy resources in U. S. have been furnished almost entirely by oil, and estimates that the increase in oil consumption by 1975 will amount to more than 2 million barrels a day. Decries proposed restrictions on oil imports.

A leading phenomenon of the post-war world has been the rapid growth in the importance of oil to world trade. Oil is a commodity traded among nations in large volumes which helps the trade balances of those countries where oil is produced. And its consumption in all the nations of the world contributes greatly to rising standards of living and thereby increases the market for goods from abroad.



A. T. Proudfit

The impact of the discovery and the production of oil is not confined to Venezuela and the nations of the Middle East—Saudi Arabia, Iraq, Iran, and Kuwait. Just since the war a whole series of new fields in Western Canada is rapidly transforming that country from a have-not to an almost self-sufficient nation. Significant new oil deposits have been found in the Netherlands and in Germany. Indonesia has newly-developed fields which can contribute to its economic well-being. In Italy and France discoveries made only within the last twelve months give promise of resources which will help those countries materially. And in a dozen other countries around the world active oil exploration is going on.

It is a truism that discoveries and exploration are going forward in those countries where the people have realized that the magnitude of the task of developing oil resources needs international cooperation in obtaining capital and technical help. A number of countries—notably France, Turkey, Israel, and several Latin American countries — have recognized this need by passing new legislation encouraging this outside help.

I am sure this audience needs no sales talk for the advantages of private enterprise, yet I cannot help noticing in passing that countries where national pride or Communist agitation is preventing the development of potential oil resources are having the greatest difficulty with their foreign exchange. Oil they need—indeed, must have—and as they import it instead of producing it themselves, the amount of foreign exchange available to purchase other essential imports dwindles disastrously.

That is not to say that every country in the world has oil, nor that some of the places where it recently has been found will ever have enough for all of their needs. But it is a shame that in a world where oil is so important, some countries persist in biting off their noses to spite their faces.

Increased Energy Resources Comes From Oil

The second aspect of oil which is so important to world trade is in its use, regardless of where it comes from. It is possible, without much difficulty, to equate the use of energy directly with the nation's standard of living. And since the war, energy increasingly has meant oil.

In the United States, virtually the entire increase in energy consumption in the last 25 years has come from oil and natural gas. Together they now provide more than 65% of the total. South of us, in Latin America, excluding wood and agricultural wastes which furnish perhaps a third of the energy used, oil and gas supply 82% of the remainder, with coal and hydro-electric power dividing the other 18%. The future growth in the standard of living in that area now depends to a very large extent on petroleum hydrocarbons.

But it is in Western Europe, I think, that the importance of oil has been shown most dramatically. The energy economy of that part of the world has always been based on coal, and it will probably be for a long time to come. However, the consumption of coal has only in the last year reached prewar levels, and our forecasts indicate that it will increase only very slowly in the next 20 years. Oil consumption, on the contrary, has more than doubled since the war. From only 10% of total energy then, oil now furnishes 20%, and by 1975 we expect that oil will be supplying 30% of a much larger total. Oil consumption in Western Europe should increase at the rate of about 4% a year for the next 20 years. Just the **increase** in consumption by 1975 will amount to more than two million barrels a day, or the present production of all Middle East oilfields.

All of us remember the almost universal concern after the war over whether Western Europe would ever rise again. Great Britain was "finished" as a first-class power. General Eisenhower describes a "prostrate" Europe . . . "cold, hungry, without transportation or housing, and without the materials to produce bare necessities or to revive industry." All this was less than 10 years ago. Yet today we find country after country reporting a standard of living and industrial activity far above prewar. Since 1948, the index of industrial activity in Western Europe has jumped 65%.

Obviously many factors have contributed to this remarkable resurgence. But I would like to submit to you that it is no coincidence that oil consumption has provided a major part of the new energy which has helped make possible a reborn Europe.

Venezuela and Oil

Closer at hand is the most dramatic of all examples of the effect of oil on a nation's economy—Venezuela. I have spent a good many of the most recent years working in that country, and have just returned, so I hope I may be excused if I elaborate a little on what oil has meant to Venezuela, and also on what Venezuelan oil means to the United States.

Here is a country of five and a half million people who only a few decades ago were almost completely agricultural. Today no nation in the world, I am sure, is moving so rapidly to become a leading member of the family of nations, and the Venezuelans face a shining future. The country's currency is the strongest in the world today. Blessed with large oil resources, Venezuela, by wise laws and wise administration of those laws, has become the second largest oil producer in the world. The nation's economy is based on oil sold in all the markets of the world, and the proceeds have been ploughed back—as they say down there, "Sowing the Petroleum."

Millions of people in the United States have shared in Venezuela's growth. For a large part of Venezuela's income has been spent for goods and farm products and services from the United States. In five of the last seven years, our exports of products to Venezuela have amounted to more than $500 million, and exports of services now total another $300 million or more. Venezuela has become our second best customer in Latin America.

To find out just where these exports come from, the Creole Petroleum Corporation asked the Econometric Corporation—an independent research group — to survey U. S. manufacturers. Their latest report has just been received. It covers a sample representing more than 60% of the value of exports in 1952 and 1953, and includes 1,350 U. S. companies in some 750 towns and cities who shipped goods to Venezuela in those years.

It will be no surprise to you, I'm sure, that the Port of New Orleans accounted for the second largest total exports to Venezuela in those years, some $81 million. The report gives a breakdown by states and by customs districts of the amount of exports, and also lists by towns and cities the principal local products which are bought by Venezuelans.

It seems to me that Venezuela provides a nearly perfect example of the truism, that world trade is a two-way street. As Venezuela has been able to sell her products—oil and now, of course, iron ore—in the United States, she has been able to buy more from us. Imports and exports must always eventually be in balance—if not in terms of tangible goods, then with the difference made up by invisible exports or imports, shipments of gold, or gifts from one country to the other.

In other words, the question is not, as some people apparently would like to think, selling a great deal in a foreign market and buying little from them, but rather at what level a country's foreign trade is to be balanced. If a country cuts down its purchases from other countries, it is going to sell less abroad, and its foreign trade will be balanced at lower and lower levels. As a company long in international business, we believe that a nation benefits most when its foreign trade is balanced at higher and higher levels.

Oil Imports in U. S.

Much has been said lately about oil imports into the United States. The company I work for, as a large importer, has taken a strong position against the legislative quotas which have been proposed. We beleive there are many compelling reasons why they should not be imposed, but today I want only to call your attention to tne most obvious effects which such quotas would have on our exports to Venezuela, where most of our imported oil comes from.

Generally, there are two situations in the world today which are making a climate unfavorable to further world trade development.

The first of these is here at home. Many people in the United States, and some of them very vocal, reflect an impatience and discouragement about relations with people of other nations. Human relations are, of course, always difficult, among people of the same nationality as well as among those of different nationalities. Often nations, like individuals, seem downright ornery.

The American people, after the war, with the best will in the world, poured out money and technical skill to help others rebuild. When we see our motives misrepresented and see evidences of unfriendliness, we tend to get discouraged. The result is that a lot of people may feel that we'd be better off going our own way.

All of this contributes to a kind of isolationist tendency and economic nationalism here which is unfortunate. Because, actually, other nations are not unfriendly. There may be elements among them which are, but not the nations as a whole. And don't forget that we may seem pretty difficult to get along with on occasion, too. There is need for us to be patient with others, if we expect the same from them. If we were to retire into an isolationist position now, it would be sure evidence of a lack of staying power on our part in dealing with the problems of life. This would not, I think, truly reflect the real American character. Certainly it would, in the long run, do us no good.

The length of the great depression of the Thirties was due in some measure to efforts by countries to "go it alone" economically, behind high tariff laws, and the consequent great decline in world trade. None of us would like to see a repetition of that economic misfortune.

The other situation which creates concern about further development of world trade is the refusal of some nations to face up to economic reality and put their own financial houses in order. A number of countries have been kept afloat with grants and loans from the United States, loans from the Export-Import Bank, and so on. But some of these countries have been dissipating these loans without effecting basic improvements in their economies, and they have had, perforce, to come back for more aid. Clearly, this cannot and will not go on forever. The patience of lenders will be exhausted and, painful as the process may be, the imprudent nations will have to go through some financial wringers.

This talk has covered a lot of ground in a few minutes. What it adds up to, it seems to me, is that world trade benefits everybody if and when it is conducted with a mutual give-and-take, with consideration and respect for the other fellow. Certainly we in the international oil business know that that policy has paid off over the years in every country in the world where it has been tried. Mutual respect benefits the peoples and countries. Where trade is freer, we have found, standards of living are lifted and understanding increases. The chances for the universal human aims of peace and prosperity are thereby greatly improved.

*An address by Mr. Proudfit before the Tenth Mississippi Valley World Trade Conference, New Orleans, La., May 5, 1955.

Form Biesel, Way Co.

COUDERSPORT, Pa. — Biesel, Way & Company has been formed with offices at 304 Allegheny Ave., to engage in a securities business. William H. Biesel is a principal in the firm.

Law Inv. Co. Opens

WASHINGTON, D. C.—David A. Law has formed Law Investment Company with offices at 1025 Vermont Avenue, N. W. to engage in a securities business.

Lyle Schmitter Opens

WASHINGTON, D. C.—Lyle L. Schmitter has formed Lyle Schmitter and Co. with offices in the Mills Building to engage in the securities business.

The Fallacies of the Welfare State

By CLEM D. JOHNSTON*
President, Chamber of Commerce of the United States

In discussing opportunities and responsibilities of business, Mr. Johnston calls attention to the current "gimme" spirit, which is involved in the demand for the welfare state. Cites items in the current legislative program of the CIO, and says it is a studied attempt to destroy the American enterprise system by overloading, thus bringing about Socialism. Holds what is needed is less undercutting of incentives which make capital possible and successful. Commends "an aristocracy based on achievement."

The basic issue in the economic and political forum has not changed in 22 years.

The issue is still: How much shall government do for us? How much shall we do for ourselves? Everything else revolves around the fringes of this centerpiece.

Clem D. Johnston

There has been a marked change in our generation in public resistance to socialism and to that more and more modern and more cozy phrase—the welfare state. And the change has been for the worse.

For example, what is the real reason why Secretary Wilson's reference to kennel dogs and hunting dogs received so much heat from the self-anointed liberals in our midst?

The real reason is that a public official of today must not dare say that he admires a man who will bestir himself in order to feed and clothe himself and his family more than he admires a man who waits for others to do things for him. A lot of individual, personal pride has gone down the drain in the past 22 years.

The "gimme" spirit is abroad, and it is reflected in letters to members of the Congress.

It is considered justice today to take from the diligent and thrifty in order that the shiftless and the improvident may take it easy. Coupled with this is the new passion on the part of so many people for government-provided security—which can be defined only as an opiate that tends to destroy the virile characteristics that made us a great people.

I am deeply impressed by Dr. Vannevar Bush's statement:

"If we are deluded into believing that security of the individual against all hazards and all ills can be obtained by fiat and by law, without limits, we will sacrifice the foundation which made humanitarianism possible and start the long, weary climb over again only after a long, dark interval."

The spectacular success of the United States can be attributed largely to a brand new idea conceived by the Founding Fathers and embodied in the Bill of Rights of our Constitution. The idea of popular election of officials was not new. Neither was the system of checks and balances. What was new was that, for the *first time* in recorded history, certain institutions and human relations were to be outside the authority of government. The government was specifically forbidden to infringe them or to violate them.

The Bill of Rights is filled with such phrases as:

"Congress shall make no law—

"The right of the people shall not be infringed—

"The right of the people shall not be violated—

"The powers not delegated to the United States by the Constitution . . . . are reserved to the States . . . or to the people."

Freedom and responsibility are inseparable. It is we the people who are now discarding the concept of government that brought forth the Constitution and the Bill of Rights. Few of us seem to want to keep government out of our personal affairs and responsibilities.

Many of us seem to favor various types of government-guaranteed and compulsory security. We say that we want personal freedom, but we demand government housing, government price controls, government-guaranteed jobs and wages. We boast that we are responsible persons, but we vote for candidates who promise us special privileges, government pensions, government subsidies, and government electricity. So many now look to the government for security. So many are no longer willing to accept individual responsibility for their own welfare. Yet personal freedom cannot exist without individual responsibility.

The welfare state has an undeniable appeal for many, yet all should know that as we embrace it, we are rejecting the concept of government and of individual responsibility that made America great. We are on the verge of a final decision. We must choose between government paternalism, which inevitably leads to socialism and drab mediocrity, and the individual freedom and individual responsibilty which, with all its admttedly rough spots, hardships and inequities we have known in the past, has produced America as we know it today and the highest scale of living and the greatest degree of individual happiness in human history. There is no other choice.

Our abundance is such that we have found it possible to give to many peoples of the world vast amounts of goods, equipment and arms.

I hope they have been helpful.

But far more than handouts of food or equipment or arms, the rest of the world urgently needs an example.

It needs an example of one nation, somewhere, living free, happy, contented, successful, under a democratic system of private ownership, full, free competition and individual initiative, and moving forward under that system to progressively higher standards of living and enhanced human happiness.

We alone, here in the United States and our neighbor to the north, Canada, are in a position to furnish that example.

But instead, we are giving mere lip service to capitalism and free enterprise, and at the same time we are stifling capitalism and free enterprise with an increasing blanket of controls, restrictions, interference and restraints that may well prove fatal to our system.

Here, for instance, are a few items from the current legislative program of the CIO.

(1) Guaranteed annual wage.

(2) Increased tax exemption for lower income groups.

(3) Government aid for two million housing units per year. Lower interest rates; Expanded public housing; 75-year mortgages; Housing for minority groups.

(4) Higher social security payments and expanded coverage.

(5) Government supported health program.

(6) Larger unemployment insurance payments with fewer disqualifications.

(7) Increase minimum hourly wage to $1.25.

(8) Expanded agricultural support programs.

(9) More government aid to small business; easier credit for business, individuals, farmers, state and local governments.

(10) Government aid for chronically distressed areas.

(11) Expanded government aid for schools, hospitals, roads, airports, parks, libraries and museums.

Is this part of a studied attempt to destroy the American enterprise system by overloading—or, as seems more probable — is it merely a manifestation of a childlike faith in the indestructibility of our system?

If you yourself were undertaking to create a socialist America and wanted to make your program plausible and palatable in its initial steps, how many of these same objectives would you include in your program?

The Socialist - Labor governments of Europe did give the individual worker a security of sorts, but remember that a parolee from one of our better American penitentiaries has a far greater freedom of action than does a worker under a Socialist-Labor regime on either side of the Iron Curtain.

You don't have to go to Europe for an illustration.

You have been reading of the organized attacks upon the state right-to-work laws by the unions and their sympathizers.

Eighteen of our states have such laws. They are almost identical, and they are simple. In essence, they state that every man has a right to join and maintain membership in any union of his choice, but that he has an equal right **not** to join, and that an employer is not required to discharge an employee because of non-membership in a particular union—a purely private organization.

During my year as President of the U. S. Chamber of Commerce, I have received a number of appeals for help from employees who found themselves victims of union tyranny and obvious injustice—and I found myself without recourse at law and unable to help. It has been a frustrating experience.

There is no question but that the great majority of union members and union leaders are fine, sound, loyal Americans. But it cannot be denied that some of our unions are led or dominated by convicted racketeers or by known Communists.

In practice, individual members who rebel against such leadership or who rebel for other causes, frequently find charges leveled against them, and they are thrown out of the union.

Under the union shop agreement, the employer has no recourse except to dismiss the other wise satisfactory employee. This is what is happening in the 30 states which do not have a right-to-work law. You dont' hear much about it because the individual employee has long since learned that he has no recourse at law, and that if he makes too much fuss, he is jeopardizing his chances of ever getting a job anywhere a union is involved.

If world famous Cecil B. DeMille has been barred from the radio networks for more than five years for refusing to pay tribute to Caesar Petrillo what chance has he?

"Keep Quiet! Don't sound off! Don't get involved in union politics! Stay away from the meetings!"

All this in free America!

And how secure is the security that depends upon some of the union welfare funds as presently administered?

I see increasing evidence that many union leaders, having fully attained or even exceeded their original, announced goal of a fair division of the fruits of labor, are now going in for power and control. And they would change the system itself in order to perpetuate themselves in the exercise of that power.

The guiding spirit of many labor leaders today is still Marxian socialism.

Socialism has become a bad word in the United States. Most of our labor leaders will, of course, deny that they are Marxists or that their objective are socialistic.

But look at the record. In justice, let's admit that the resemblance may be coincidental, but it is also unmistakable. Of course socialism as such was not the intended goal. The goal is power.

One little reference to our current situation—

Nineteen fifty four was a good business year, but business profits were down to about 3% of sales. Does anyone think that 3% is excessive?

This profit is the wages of capital for the risk taken and "rent" for its use. Last year was one of the best business years ever, and yet it was a typical year in that nearly one-third of the four million enterprises that constitute American business operated at a loss or made no profit. The owners of that capital received no wages for their services.

Can that 3% profit be materially reduced further without destroying incentives for risk and for effort and thereby destroying the system itself. And yet almost every union leader is advocating further wage increases and increased benefits to be paid out of the "bloated" profits of industry! Socialism is the perhaps inadvertent but nevertheless inevitable result of the labor program.

They can deny it all they please, but labor leaders are burning incense at the Marxian altar. And yet if ever there was a so-called prophet who stands thoroughly discredited and debunked, it is Karl Marx.

Socialism has been tried repeatedly from the beginning of time, and it has never worked. And until someone changes human nature. socialism will never work and can't work because socialists won't work. The incentives of personal gain from individual effort are lacking.

I am not overlooking the anti-Soviet position of most labor leaders — nor questioning their sincerity on that score. Neither am I overlooking their occasional bows in the direction of our capitalistic system.

Anytime you interfere with the operation of a free market you are courting trouble, and Socialism represents a maximum interference.

I am saying that if the leaders of organized labor are sincere in their professions of faith in our kind of capitalism, they will join with us in recognizing that on the world stage today the conflict is not with the intellectual concept of Communism, as such, but with anti-capitalism and with dictatorship in whatever form it may assume. Here at home the conflict is with forces which give lip-service to private enterprise but at the same time do things which would destroy it.

The intellectual Communist we used to read about is today's straw man. No true intellectual Communist—if such there be—no true disciple of Lenin or Trotsky —could honestly support the present Russian regime. The collectivist governments behind the Iron Curtai are not Communist governments. They are merely dictatorships masquerading as Communist.

It is all right to beat the drums against the evils of Communism and the evils of the Kremlin, but that is not what this nation needs in its conflict with the Iron Curtain philosophy. What this nation needs is less undercutting of those incentives which make capitalism possible and make it successful.

The international issue is no longer Communism. It is anti-capitalism, the abolition of the profit motive and the profit system.

And the arms race is rapidly approaching its zenith. After a certain point has been attained, production of additional atomic weapons won't make much difference.

Today, thermo-nuclear weapons come in three sizes:

One—small.

Two—medium.

Three—where is everybody?

Most everyone seems to have a plan for ending the cold war.

For what it is worth, here is my suggestion.

Let's not stand around and try to meet the Reds, man for man, bomb for bomb, restriction for restriction, on their own mucky ground of imitation socialism.

If you will only turn competitive capitalism loose to show what it can do—restore the incentives for maximum effort—take off the handcuffs of union-imposed restraints to production and employment — remove the ball and chain of confiscatory taxation on the successful as a penalty for success—our capitalism will produce for you a scale of living and a way of life so far superior to anything that the world has ever seen that there will no longer be any argument as which system is best for mankind. And it will do so in an astonishingly short period of time.

No Iron Curtain could obscure the glistening excellencies of such a system. I wouldn't envy the dictator the job of selling his already reluctant followers on the excellence of his system as compared with America as it can be in 1965. We can double the American standard of living by 1965 if we really put our minds to it.

You can't beat productivity. The strength of modern nations is not measured in divisions or warplanes or bombs but in productive capacity.

Progress has been tremendous during these past few years, but human wants are unlimited. Everywhere we turn we have need for more and better homes, more and better schools, more and better hospitals, roads, streets, playgrounds, libraries, parks, housefurnishings, appliances, automobiles.

We are not dealing in selfish gain for a few, but in enhanced living standards for all.

You ain't seen nothin' yet! We are just getting started.

I see no limits to the heights to which we can all soar if we stop this childish bickering about who is going to have the biggest piece of pie with the least personal effort and devote ourselves to the task of making the pie so big that there will be more than enough for all.

Yes, I know that it will involve a lot of hard work and personal sacrifice—but in contrast with the alternatives — the horrors of atomic war—or what is worse— the drab mediocrity of life under socialism—it's not a hard choice.

And since when have Americans been afraid of risk and afraid of hard work?

We have founded a new kind of aristocracy here in America. It is not an aristocracy based on an-

*An address by Mr. Johnston at the First General Session of the 43rd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 2, 1955.

cestry, nor is it based on property. It is an aristocracy of achievement.

I believe in such an aristocracy, and so do most of us.

Political orators may voice their high regard for the common man, but if you accuse an American of being one, he wants to fight. The common man is just too darn common for our liking.

We prefer the uncommon man. He is the basis of our American supremacy. We have a lot of him. We find him in every walk of life —in every trade, every craft, every profession. We have almost unlimited material for more of him if we restore the incentives for every man to do his level best.

We have only 6% of the earth's surface, less than our share of the earth's resources, we are no smarter than other people, and we don't work as hard as most.

And yet America is unique.

America is the only nation in the world where people ask: Where can I park; How can I reduce?

It costs more to amuse a child today than it did to educate his father.

What nice problems to have!

How fortunate we are that our farm problem is a problem of surplusses and not a problem of hunger and starvation.

America's problems are dwarfed by America's promise!

So isn't it reasonable to ask the leftists and our friends who are leaders of organized labor the question—

Why change the pattern?

Why substitute a cheap imitation of European socialism?

Europe tried socialism, found it didn't work, and is now trying to restore a capitalistic system.

Today, the nearly $4 billion a year that American business and industry is investing in research is providing incalculable benefits —new products—new methods—new job opportunities—10,000 new products that grandfather never knew.

Research is providing for our young people today opportunities far greater than the western frontier ever provided for our grandparents.

There is no dearth of opportunity for those who seek opportunity.

Pioneering is just beginning here in America.

Pioneering is challenging, is frequently rewarding, is often thrilling, but it is no easy path. It usually involves toil, hardship and adversity. For that matter, progress always seems harsh to the incompetent and the inefficient.

If we are going to make real progress toward this brave new world that we can all sense is just ahead, we have got to rid our selves of this welfare state philosophy of giving everyone, regardless of how much work he does or how well he does it, an equal share of everything.

Can you think of a more effective method of slowing down the wheels of progress and of reducing the gap between the productivity of the free world and that of the slave world?

The cost of government is already at a level that is inconsistent with a continuing, healthy, free enterprise economy — and the Federal budget is still unbalanced. It is time to balance the Federal budget. The budget can and must be balanced. If your output exceeds your inflow, your upkeep will be your downfall.

The budget can and must be balanced — but not through increased taxes. The job can be done in part through increased efficiencies and economies. Our real task lies in reducing the scope of the Federal Government to those activities which are its real function.

To begin with, we must get government out of competition with private enterprise. Next, we must decide what we want government to do, and then limit its activities to those things.

Increasing taxes to balance the budget would hurt, not help. In some areas, we are well past the real productive limits of taxation, and any further increase in rates would yield less, rather than more revenue.

Need I remind you that today your Federal Government is collecting, per individual, approximately 120 times what it did in 1900, and 16 times what it did in 1939?

How much of this spending is really necessary?

I have worked with and for a number of government agencies and departments. I have never seen a single department of government — including the Defense Department — which could not render all essential services with at least 25% less funds if it were organized on a business basis and operated with a profit motive. But to make this politically feasible, will require a degree of public understanding and public support that is not now apparent.

As a first essential step I think we should set up cost accounting systems for governmental functions that will properly reflect all elements of cost—that will provide measurements of efficiency comparable to the automatic measurements of our competitive system. Many government operations today omit such items as rent, light, heat, power, interest, taxes, and even wages as elements of cost.

We must recognize the limitations of our system. Factors of safety are being grossly disregarded. Our economic fuse-boxes are being plugged with pennies and with dollars when a rewiring job is called for.

Most of us think of taxes as a means of providing essential revenues for the operation of government. But some of our most destructive taxes are the confiscatory high bracket rates instituted years ago to bring about social reform. Revenue was a mere pretext. These taxes are effective deterrents to new or expanded enterprise. They yield only a trickle of revenue, and they keep little men little and threaten even the great with smallness. The same policies which wet the thirst for security, debase the currency in which that security is measured.

We want our government to be soundly financed. We expect to pay our full share of taxes. In wartime or in a period of grave emergency, most of us are willing even to forego any thought of profit. But today the World War II emergency is over. We are probably in the Cold War for a long time to come and we should gear for the long pull.

We see government heedlessly dissipating many of our tax dollars in holdovers from wartime government operation of questionable efficiency and doubtful value. Personally, I'm getting darn tired of paying high rate taxes to support such projects. And I believe that you are too.

Don't blame the government employees as such. They are just people — good people. Most of them would welcome efficiencies and the opportunity to work more effectively.

And don't blame the Administration. It is putting on about as much pressure for economy as Congress and the public will support.

In part, you should blame yourself as a part of the American public.

It isn't all going to be easy or painless.

It's a safe bet that some of the fine chambers of commerce represented here today have had a leading part in sending delegations to Washington—or urging their Congressmen — to get a handout for a dam, or a floodwall or a street-widening project, or a Federal construction project of such doubtful nature that you would never have built it with your own local money.

It is our government. One thing to remember is that bad politicians are elected by good people who don't vote. Another thing to remember is that we are starting off on a new era, and we should carry our full share of citizenship responsibility.

The test is not whether we are Democrats or Republicans, union or non-union. These shibboleths have lost much of their former meaning. The test is whether we believe in socialism, in big government and in controllism, or whether we believe in our traditional American system of freedom of choice and freedom of enterprise.

I would suggest a standard of measurement that it not new, but which seems increasingly neglected.

Not—does the union want it?

Not—does business want it?

Not—does the farmer want it?

But—is it good for the nation as a whole?

The essential fact is that for the American people as a whole, the costs, the restraints, the interference and the spirit-crushing effects of controllism—be it by big government or by big unions —now outweigh any real or possible benefits. The time has come to call for a reappraisal and readjustment.

The time has come to keep the paralyzing hands of government off of business and off of agriculture and off of the individual worker. The time has come to recapture, if we can, our essential liberties, our freedom of initiative, our freedom of enterprise.

Today, our opportunities are virtually unlimited.

Today, our responsibility is to try to see the whole picture and to act effectively in the long-range good of all the peole.

At its worst, America has been better than the very best the world has ever offered under any other system.

In St. Paul's Cathedral in London there is a simple marble slab —a tomb—bearing the Latin inscription—

"Si monumentum gaeris circumspice."

(If you seek a memorial to this man, gaze about you.)

The tomb is that of Sir Percival Christopher Wren, the architect of the Cathedral.

It is doubtful whether P. C. Wren, architect, ever gave much thought as to whether he would, or would not, have a personal memorial. But he knew that he was building a Cathedral, and he found joy in imparting to it beauty and strength, utility and permanence.

I don't know whether or not you will have an inscription on your tomb 200 years hence, but I do know that in serving your communities, serving your industries and helping to shape their destinies, you are building memorials to yourselves which will endure, in whole or in part, for hundreds of years to come. These memorials can be glorious or they can be shabby. They will be what you make them.

Every beautiful boulevard with its smooth, swift flow of vehicles is a monument to somebody's vision, somebody's industry, somebody's perseverance.

Every traffic bottleneck, every slum area is a monument to somebody's incompetence or lack of vision.

Whether we like it or not, we are building what will soon be a new and a vastly different world.

We and our children will benefit from what we do today that is sound and right and good.

And, we and they, will suffer from what we do today that is shoddy or ill-conceived or from any spineless unwillingness on our part to measure up to what we know to be true and sound.

We have only begun to sense the things yet to be achieved—the heights to which we—we here in our time—may rise.

Securities Salesman's Corner

By JOHN DUTTON

Screening Your Prospective Customers

There have been many times no doubt when you may have interviewed a person who had never previously bought investment securities and you wondered whether or not it was worthwhile to go through all the preliminary ground work that is necesary in order to build sufficient confidence so that a profitable business relationship could be established. Many times you can waste a great deal of effort on people who cannot become satisfactory clents due to their own psychological deficiencies.

Recognize This Type

Try to eliminate prospects who will not make good clients, and don't waste your time after the first interview if—

Some prospects seem very hesitant about the possibilities of another grave depression or economic set-back. Many people have not forgotten 1929 and the years 1931 and 1932. While you are talking with them watch for these signs. If they continually ask you if an investment is "safe," if they want to know if "they can get their money" any time they should need it, if they act scared, then pass them by. Better to look for prospects who have a little courage—those who lack it cannot become good clients.

The Good Client

People who have not bought stocks but have had most of their experience investing in government bonds, and savings and loan institutions, can become good accounts providing—

They show courage, want to know more about the fundamentals of investing in stocks and Mutual Funds, and who are willing to at least try a modest investment on NOT LATER THAN THE THIRD INTERVIEW. I have found the best customers will buy on the SECOND INTERVIEW. If a prospect keeps you running after him beyond the third interview you have only yourself to blame for the time you will waste. In most cases you won't make the sale and if you do, the account will not be very profitable. There are exceptions to this rule, but in the long run it will work out that if you can't sell on the third interview you won't sell on the fourth or the 10th.

Take It Easy on the First Interview

The first interview provides your opportunity to study the prospect and his needs. Let him do most of the talking—ask questions—find out what he wishes to do. If people are thinking of buying stocks and have not done so up to the time they discuss the subject with a securities salesman, there are certain important reasons why they are thinking of shifting some of their assets out of fixed income investments—

These reasons are that they want more income — they have heard that some of their friends have made their capital grow faster than they have been able to accomplish in low paying income investments—they have an objective such as more income later in life for any number of purposes. Find out where the "shoe pinches" and show your prospect how it is possible to help him.

Build confidence by showing:

Your interest in the prospect's objectives.

Don't high pressure.

Answer all questions.

Don't overtalk.

Don't oversell.

If you can obtain agreements during the first interview, of course take the order — if not, leave the door open for another conference. You are strongest in your first interview, so try and get your man to make a decision if he is sufficiently interested—if not continue to build his confidence, and close on the second interview.

Sell an idea—Show him how a planned investment program can be a help to him in making his capital grow faster.

With Security Assoc.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla. — Walter F. Lewandowski is now with Security Associates, Inc., 137-139 East New England Avenue, members of the Philadelphia-Baltimore and Midwest Stock Exchanges.

With Coombs & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William S. Finerman has become associated with Coombs & Co., of Los Angeles, Inc., 602 West Sixth Street.

Suggested Changes In the Tax Structure

By JOHN L. CONNOLLY*
Secretary and General Counsel
Minnesota Mining and Manufacturing Company,
St. Paul, Minn.

After reviewing and commenting on the present Federal tax structure, Mr. Connolly cites cases where the present tax system retards investment and incentive. Says, under present laws, private investment will not be attracted when those having capital can invest advantageously in tax-free and risk-free obligations. Lays down as desirable changes in tax structure: (1) reduced individual income taxes; (2) a general sales tax to replace selected excises; and (3) an increase in the dividend credit to stockholders.

In these United States we have the largest unorganized, unprotected and ineffective voiceless group to be found anywhere in the world — none other than the great mass of taxpayers. There are more than 50 million income taxpayers in the United States today. A large majority of these taxpayers are little concerned with their plight. In a measure they recognize their obligations and duties as citizens, but we have made it very easy for them not to care, but more importantly, not to know that they are paying taxes, and many feel others are paying their taxes.


John L. Connolly

Essentially, the affairs of government consist of raising money through taxes and spending it after it has been appropriated. Taxes are painful for the taxpayer and for the members of Congress who impose them. As the tax take gets bigger, the pain increases.

One way of relieving this tax pain is by concealed taxes, and I place in that category withholding taxes, corporation taxes, and certain excise taxes. No taxpayer is enthusiastic about paying taxes, and there are many taxpayers who have to be forced into paying what they legally owe.

Rumors about the French taxpayer are, perhaps, somewhat exaggerated. We hear that he keeps three sets of books—one for himself, one for his partner, and one for the government. There is a story going around about a member of a partnership to whom a customer, through error, overpaid $20. The partner had no qualms of conscience when he decided not to refund the $20 to the customer or report it for taxes, but his conscience troubled him as to whether or not he should give his partner half of the $20!

By testimony of Sidney Margolius, writing in "Harper's" magazine, the strategy of tax avoidance "has become a new national pastime, second only to baseball in general interest and to none in excitement, because more people can play and all of them play for keeps."

Under the withholding method, we separate the taxpayer from his money before he gets it. This is a most subtle arrangement indeed. Without direct impact this taxation is painless and this, my friends, is extremely dangerous. There is an opinion in some quarters that it is better to impose concealed or indirect taxes because if the taxpayer is fully aware of his tax burden, he will attempt to shift it to other taxpayers rather than concern himself with the reduction of government cost so that taxes may be reduced. I do not share that view. As a result of our withholding tax, the wage and salary earners tend to forget their gross pay and think instead in terms of take-home pay. They know how to figure their pay. They see the deduction on the paycheck stub, but if the pay envelope contains all that they expect it to contain, they are satisfied — although not necessarily content. The tax paid is something for the employer to worry about.

In our company employee relations program we have many discusions concerning public affairs involving taxation. When income tax matters are discussed it is amazing to find large numbers who do not know what their tax deductions are, but are quite aware of what their take-home pay is and should be.

Some Federal excise taxes are imposed upon the manufacturer, producer, or importer and by the time they are passed on to the consumer, the tax has become part of the purchase price of the article. The consumer is seldom aware he is paying this particular tax.

Corporations pay income taxes and other taxes, but these taxes are paid at the expense of the customers, emloyees, or the stockholders, or at the expense of all three. Many argue that corporate income taxes are not passed on but are paid by the stockholders. In my opinion it is entirely possible that the corporation's employees, suppliers and stockholders, any or all of them, may bear some part of the income tax paid by the corporations.

How many customers ever analyze the purchase price of an article they buy to determine how much tax has been passed on to them? Some will complain about the odd cents they have to dig up for direct sales tax, but they are seldom aware of the excise tax and hundreds of other taxes which are hidden in the purchase price. And when they are aware, the awareness takes the form of some vague sort of disquiet, like a slight headache, compared to the painful process of reaching into one's pockets and coming forth with the money to pay the tax. How many of us ever think when purchasing alcoholic beverages or cigaretts and tobacco what part of the purchase price actually finds its way to the Federal Government as taxes? As far as the customers are concerned, it can be generally stated that this tax is something for the seller to worry about, and on very rare occasions, when it is proposed that the tax be increased, do we find the customers pointing out to Congress that the tax is already too high.

Are Stockholders Tax Conscious?

How tax conscious are stockholders? We know that corporations issue annual reports. It is rumored that some of the stockholders analyze very carefully these reports. It has been my own experience that outside of the analysts who are employed to study investments, very few stockholders carefully analyze corporate annual reports. Some of them look at the annual report and see the amount of income tax paid by the corporation. They are not slow to realize that instead of receiving $1 per share per annum as dividends, the dividend might have been $1.50 if it was not for the amount of income tax paid. But very few stockholders have the feeling that they themselves are the ones who pay the tax. Corporate management is well aware of the corporate tax burden because every so often they examine the bank account to see if there are sufficient funds to meet the tax payments.

What is the remedy? Should we repeal the withholding tax? The corporate income tax? The excise tax?

NO! I do not advocate any of these drastic remedies. But I do advocate an educational plan designed to tell all taxpayers that taxes are paid only by individuals whether they are levied against a manufacturer, a corporation or the employer, and that high taxes have a retarding effect upon the growth of the economy of the country.

Why do I feel an educational program is necessary? I would like to cite just one example:

A newspaper column by Frank Tripp recently attacked shirkers living off honest men's wages and taxes. The unsigned replies he received give some clue as to why taxes and inflation constitute the problems that they do:

"We elected the lawmakers who gave us easy going, and we'll keep 'em elected. We are entitled to all we can get and your yelping can't stop it . . .

"The newspapers talk as if they are paying the bill. What business is it of theirs if the government pays the shot? The government only has to print the money."

"We are entitled to all we can get" and "The government only has to print the money." Obviously, nothing you or I could say or do would change the minds of the men who wrote those letters. But there are hundreds or thousands or millions of others in this country who don't feel that way. For them, the payment of taxes is an obligation to be met—on time and in full. These are the people suffering from the fiscal anesthesia of painless taxpaying who need to be aroused to a complete and painful awareness of the real measure of the taxes they pay.

Personal and Corporate Taxes Are Too High

Our present corporate and personal income tax rates are too high. The Federal Government must continue to impose heavy taxes for some time to come—probably years. So as not to destroy our tax system:

Expenditures must be kept to a minimum consistent with good government;

The integrity of the Federal debt must be preserved at all cost, and a plan of retirement should be instituted;

We must use the greatest care to see that the tax burden is spread as fairly as possible over the entire group of taxpayers; and

To survive and prosper, our people must have a real incentive to work and produce.

Our Federal Government is a very expensive establishment. To reduce taxes markedly will mean that we must have an easing of international tensions. To reduce them at all will require the elimination from our spending program of all unnecessary and superfluous activities. The Hoover Commission is giving us a blueprint for this purpose.

The surest way known to man to destroy the way of life we all profess to cherish is to destroy the incentive to produce. Confiscatory tax rates and disproportionate impositions of taxes are the surest ways known to do this. We must not overlook the fact that the continuing cold war confronts us with a long-range challenge to demonstrate the capacity of our free enterprise system to survive and produce—to produce an ever increasing volume of goods for both military and civilian purposes.

It appears to be the Administration's policy that broad tax reductions should be timed as nearly as possible for periods when the budget is balanced and the economy of the country is in need of stimulation.

If the Administration achieves its fiscal aim in balancing the budget, tax reductions will become possible a year hence.

President Eisenhower, in his State of the Union message, held out hope for a tax reduction in 1956 when he stated:

"Last year we had a large tax cut and, for the first time in 75 years, a basic revision of tax laws. It is now clear that defense and other essential Government costs must remain at a level precluding further tax reductions this year. Although excise and corporation income taxes must, therefore, be continued at their present rates, further tax cuts will be possible when justified by lower expenditures and by revenue increases arising from the nation's economic growth. I am hopeful that such reductions can be made next year."

The big issue will be, where are the cuts to be made?

At the time of the enactment of the Revenue Code of 1954, the majority and the minority both agreed that taxes should be reduced — they disagreed on philosophy. The tax philosophy of the minority was that the best way to stimulate the economy is not through tax reduction for corporations and investors but through tax reduction which will immediately increase purchasing power in the hands of the consumer. The philosophy of the majority in 1954 was that it was not enough to stimulate consumer buying alone, but that you also had to stimulate the purchasing of products of heavy industry. The minority in 1954 caracterized this as the "trickle down" theory.

When the tax rates are too high, they destroy the incentive to work harder and to produce more. We are by nature a venturesome people and that is why our industrial development is the greatest on earth. Our ancestors were never terrified by geographical frontiers, and when they had overcome those frontiers, we pioneered in new ideas. Our people will venture their lives and their dollars for the sake of gain. Many of our dollar ventures have proved worthless, but our economy has been constantly stimulated by others which succeeded.

Incentive is a key word in our social-economic system. In my way of thinking the best tax incentive is a reduction in the rates.

It is estimated that with our population of 164 million, we have over 50 million individual taxpayers. The Chamber has always advocated that in order to reach more of the national income, the tax base should be broad. The "$20" tax bill passed by the House this year would have exempted an additional five million persons from paying any income tax at all. I dwell at some length upon the deadening process and the lack of tax consciousness; therefore if the person who pays only a few dollars is conscious of the burden that he is bearing, he is one more person who is interested in the efficient conduct of his government.

There are several organizations, including this Chamber, that are interested in controlling government expenditures and reduced taxes but these organizations need more and more support from the persons who are paying the bill.

Senator Carlson of Kansas, at the Senate hearings, commenting on the idea of the per capita reduction in taxes, wondered if "we were starting out on a new philosophy" that would call for increasing income taxes on a per capita basis if additional revenue were needed. Senator Carlson further commented that to provide tax relief in the proportion that taxes were advanced is more sensible. This was the method used in reducing personal income taxes effective Jan. 1, 1954, which cancelled the increase imposed by the Revenue Act of 1951.

Now, if we are to be consistent, the logical thing to do would be to reduce taxes in the same order as their increase. The scheduled drop in the 52% corporate income tax rate to go into effect in 1956 should not be postponed. For a government to take a larger part of the corporate profits than the shareholder is entitled to receive is neither politically nor economically sound. A reduction in this tax under our present competitive conditions should benefit consumers by lower prices as well as generate a flow of funds for expanding the economy. Other foreign countries have been easing the taxes on corporations, and we should not try to win the dubious honor of being a nation that taxes corporations more heavily than any other nation in the world.

Like most of you, I can cite scores of examples where corporate investment could not be made under the present tax laws, which impose a 52% rate on the corporation and a further tax on the stockholders' dividends. I have in mind one which involved a manufacturing concern in the Midwest. In the early days, the owners needed capital to expand so they induced a wealthy man in the community to invest in its stock. Here was opportunity knocking. The man with the capital opened wide the door primarily because the incentive was there to do so. He knew if he made any money from the investment he could retain it. He bought stock in the little company when the stock was not worth much. Not only did the business thrive and prosper and repay this particular investor many-fold, but other investors also. The little business grew into a big business, and where not more than 100 men had been employed there are now more than 10,000 men employed; and the company is playing a vital part in the country's economy.

Let us see what would happen today under the present system of taxing a corporation and again taxing the stockholders at full rate on the dividends received less the nominal credit provided by the Revenue Act of 1954. Let's consider the effect of these conditions in terms of persons completing their schooling. Not all such persons will want jobs. Let us suppose that one of these persons want to go into business for himself and become a job-maker. One of his needs, of course, is capital, so he tries to induce his friends to invest part of their savings in this new business.

As a practical matter, he cannot ask his friends to go into a partnership because of the personal liability attached to a partner, so he has to incorporate his business. He has figures to show that his new corporation will make 10% on each dolar invested

*An address by Mr. Connolly at the Third General Session of the 43rd Annual meeting of the Chamber of Commerce of the United States, Washington, D. C., May 4, 1955.

by the shareholders. Assuming that the first friends he approaches have incomes between $8,000 and $10,000 annually, they must consider the tax rates to which the dividends are subject. If they were to invest $10,000 and the new company earned the promised 10% for each dollar invested, after deducting the corporate tax of 52% there would remain approximately $480 for each $1,000 earned. The new company would have to retain part of the $480 for expansion. Let us say they retained $150 of the $480 and paid each investor a dividend of $330 for each $10,000 invested. Other investors approached were in the $50,000 to $60,000 bracket. But this new job-maker is a persistent fellow. He has a rich uncle whose income is more than $200,000 annually. The following is the percentage returned to the investors in the different tax brackets:

Income	Percentage of Return on Investment Single	Married
$8,000 to $10,000	2.46%	2.68%
50,000 to 60,000	1.31%	1.73%
200,000 to 250,000	0.86%	0.92%

I think the answer is obvious—private investment will not be attracted for these returns when they can invest in tax-free and risk-free obligations.

In this country today there is no lack of investment opportunity. New ideas and new inventions are coming along faster than ever before. Those of you who attended this meeting's opening session got a preview of some of the things we could expect in 1975. Those things won't just happen. Somebody is going to pay for them through investment. But before there can be investment we must make it possible for investors to accumulate funds to invest—and then make investments attractive through the possibility of profits. To do this Congress should provide further relief to stockholders by increasing the dividend credit provided in the Revenue Code of 1954.

The Federal Government has depended on the income tax for approximately 80% of its revenues. For many years we have had discriminatory and selective excise taxes. Congress should enact a general excise or other similar business tax, with low uniform rates and free from duplication. This tax should replace the present discriminatory, selective excise taxes. It would properly balance the Federal tax system and provide more stable revenues.

Your future tax structure should provide reduced individual income taxes; reduced corporate income taxes; a general sales or business tax to replace the discriminatory, selective excise taxes we have today, and an increase in the dividend credit for stockholders.

These are some of the stories we must tell and the changes we should recommend in our educational campaign. We should tell them again and again and again and again. We should tell them in every forum in the country. We should tell them until people get so tired of hearing them or so fighting mad about their tax burden they will do something about it. Yes, we can do something about it — the question is — will we?

Your Chamber of Commerce—national, state and local—and dozens of other organizations can give you ammunition and a place to shoot it, but the biggest gun in in the world is powerless unless someone pulls the trigger. How about you pulling the trigger in your town?

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

VENTURA, Calif.—Barbara J. Benesch has been added to the staff of Paine, Webber, Jackson & Curtis, Security First National Bank Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Horace P. Bromfield, Vice-President of the former **Corn Exchange Bank Trust Company of New York** has been elected a Vice-President of **Chemical Corn Exchange Bank,** it was announced on May 16 by N. Baxter Jackson, Chairman. Mr. Bromfield will be associated with the bank's National Division with headquarters at 165 Broadway, New York City.

Horace P. Bromfield

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The appointments of Don C. Wheaton, Jr. and Henry J. Bailey, 3rd, to Assistant Vice-Presidents of the **Emipre Trust Company of New York** was announced on May 17 by Henry C. Brunie, President of the bank. Mr. Wheaton was formerly an Assistant Secretary of **Irving Trust Company of New York** and will be associated with the Empire's downtown office at 120 Broadway. Mr. Bailey was formerly with the **Federal Reserve Bank of New York** as an attorney and will be attached to the uptown office of the Empire Trust at 7 West 51st Street at Rockefeller Center.

* * *

The appointment of William E. Gleason as an Assistant Vice-President of **Manufacturers Trust Company of New York** was announced on May 16 by Horace C. Flanigan, President. Mr. Gleason joined Manufacturers Trust in 1944. For 23 years prior to that he was associated with General Motors Acceptance Corporation and Universal C. I. T. in their automobile and industrial credit operations. Since 1948 Mr. Gleason has been Manager of the Specialized Loan Department at Manufacturers Trust Company.

* * *

The 59th overseas branch of the **First National City Bank of New York,** was opened on May 16 in **Caracas, Venezuela.** It is located in the Chacaito section of Caracas and is the bank's second unit in that city. National City has had a branch on Esquina Santa Capilla since 1917. Chester T. Swinnerton, Resident Vice-President supervises both branches.

* * *

Irving Trust Company of New York announced on May 17 the promotion of Eric P. Anderson to the office of Vice-President. Formerly an Assistant Vice-President, he is associated with the international banking activities of the company. He joined the staff of the Irving in 1930.

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Maurice Duchin, President and designer, Maurice Duchin Creations, Inc., wrought iron manufacturer, has been elected a director of the **Pennsylvania Exchange Bank of New York City.** Mr. Duchin is director of all department store sales for Hamilton Metal Products, Inc., Hamilton, Ohio, manufacturers of Scotch Koolers. He is also an Executive of National Wire Products Company and McAlliser-Long Corp. and a director of Monogram Co., San Francisco.

* * *

Alan W. Pease, who retired as a Vice-President of the **Chase National Bank of New York** in 1952, died on May 12 in Alexandria, Va., where he had gone to visit a daughter. Mr. Pease, who resided in Montclair, N. J., was 67 years old. Born in West Derby, Vt., Mr. Pease attended schools in Palo Alto and Santa Clara, Calif., and Washington, D. C., and later studied at Johns Hopkins University. After several years as an advertising representative for the Curtis Publishing Co. he spent two years with the **Guaranty Trust Company of New York** before joining the staff of the **Equitable Trust Company of New York** in 1921. After the Equitable-Chase merger in 1930 he became associated with the **Chase Securities Corp.** until 1932, when he was assigned to the newly-organized public utilities department of Chase as a Vice-President, continuing in that position until his retirement in 1952.

* * *

The Williamsburgh Savings Bank of Brooklyn, N. Y., has appointed the following officers, it is announced by Joseph A. Kaiser, President:

Louis Miller

William J. Buehler

William J. Buehler, formerly Vice-President and Comptroller, was appointed Executive Vice-President; Louis Miller, formerly Cashier, was made Vice-President; J. Ronald Morgan, formerly Assistant Cashier and Assistant Secretary, was appointed Cashier and Assistant Secretary, and Russell M. Hoverman, formerly Assistant Comptroller, was made Comptroller.

The following Assistant Vice-Presidents also have been named: DeWitte M. Havens, formerly Personnel Officer; Edward F. Birkett, formerly Assistant Comptroller; Alfred J. Brady, formerly Mortgage Officer; E. LeRoy Squire, formerly Deputy Mortgage Officer; Alfred P. Jimmerson, William Von Gerichten and Howard D. MacDougall, all formerly Assistant Mortgage Officers; William J. Mohr and John T. Graham, formerly Assistant Cashiers; and Jacob J. Roehrig.

* * *

An increased in the capital of the **Chappaqua National Bank of Chappaqua, N. Y.,** from $150,000 to $200,0000 by the sale of $50,000 of new stock, because effective March 31, according to a recent bulletin of the office of the Comptroller of the Currency at Washington.

* * *

Stockholders of **The Irvington National Bank & Trust Company of Irvington, N. Y.** and **The County Trust Company** of **White Plains, N. Y.** at meetings on May 17 approved the proposed merger of the two banks, according to statements received from W. Barton Eddison, President of the Irvington bank and Andrew Wilson, Chairman, and Joseph E. Hughes, President of The County Trust Company. In his statement, Mr. Eddison said that 100% of the Irvington bank's 4,000 shares voted in favor of the merger. More than 80% of County Trust's 922,950 shares signified approval. Consolidation under The County Trust Company name is scheduled for May 27, following final approval by State and Federal banking authorities. Upon completion of the merger, David J. Condon, Cashier of The Irvington National Bank & Trust Co., will become a County Trust Vice-President and will remain in charge of the Irvington office. Mr. Eddison and the directors and attorney of the Irvington bank will form a board of Associate Directors to advise on matters pertaining to the Irvington office. Mr. Eddison will serve as Chairman. An item bearing on the consolidation appeared in our issue of April 21, page 1844.

* * *

Approval was given to the **Citizens Bank of Monroe,** at **Monroe, N. Y.,** on May 6 by the New York State Banking Department, of plans to increase the capital of the bank from $100,000 in 1,000 shares of stock, par $100 per share, to $200,000 consisting of 4,000 shares, par $50 per share.

* * *

On May 12 W. Paul Stillman, President of the **National State Bank of Newark, N. J.,** announced that the bank's Board of Directors at a meeting on May 12 declared an 8% stock dividend on the 125,000 outstanding shares of stock, payable May 23 to shareholders of record May 23 and at the same time voted to increase the bank's capital funds by $4,000,000 by offering subscription rights to shareholders to purchase 45,000 new shares at $91 a share in the ratio of one new share for each three shares held after receipt of the stock dividend. The action of the Board is subject to the approval of the Comptroller of the Currency and the bank's shareholders. A special meeting of shareholders has been called for May 23 to take action toward increasing the authorized capital stock to 180,000 shares in order to provide shares required for the stock dividend and the subscription offer. Capital funds of the bank, after giving effect to issuance of the additional shares, will exceed $18,000,000, consisting of capital stock of $4,500,000 represented by 180,000 shares with a par value of $25 per share; surplus of $12,500,000, and undivided profits of over $1,000,000.

In February National State Bank announced it had arranged to purchase, for cash, the property and assets of **Lincoln National Bank of Newark,** and references thereto appeared in these columns March 3, page 1035, and May 5, page 2088. The 8% stock dividend will be the fourth stock distribution dividend paid by the National State Bank in the past nine years. In 1947 a 100% stock dividend was paid; in 1952, one of 33⅓%; and in 1954, one of 25%. Cash dividends have been paid in every year since 1813. The offering of additional shares will be underwritten by a group of investment dealers headed by Clark, Dodge & Co., of New York.

* * *

DeHaven Develin, President of **The Bryn Mawr Trust Company of Bryn Mawr, Pa.,** has announced that Robert J. Farr has been elected Assistant Comptroller of the bank. Mr. Farr comes to Bryn Mawr Trust from the **National Bank of Coatesville at Coatesville, Pa.,** where he was Comptroller. He joined the Philadelphia National Bank in 1928 and was head of the Collections Department in 1945 when he left the bank to engage in the wool business. He became Comptroller of the National Bank of Coatesville in 1953.

* * *

The First National Bank of Landisville, Pa., has increased its capital from $75,000 to $150,000, as of May 6, the increase having been brought about by a stock dividend of $50,000 and the sale of $25,000 of new stock.

* * *

As a result of a stock dividend of $25,000 and the sale of $100,000 of new stock, the **Penn Valley National Bank of Hatfield, Pa.,** has enlarged its capital, effective May 2, from $125,000 to $300,000.

* * *

As of April 29 a merger, under the charter and title of the **Wilmington Trust of Wilmington, Del.,** was effective with the **Delaware City National Bank of Delaware City, Del.** The quarters of the latter are retained as a branch of the Wilmington Trust. A previous merger as of March 11 of the Wilmington Trust, under its charter and title was also consummated with the **New Castle Trust Company of New Castle, Del.** In February, as noted in our issue of March 24, page 1987, the **Industrial Trust Company of Wilmington** was merged with the **Wilmington Trust Company.**

* * *

May 17 was the 110th Anniversary of **The National City Bank of Cleveland.** The event will be celebrated by a buffet supper for the bank's 1,000 employees and their families at the Hotel Hollenden on Wednesday, May 25, preceded by the official opening of the bank's main lobby which has been redecorated and modernized. The public has been invited to view this modernized lobby during banking hours and to view the interesting exhibits on display: pictures of 19th century Cleveland, odd money of olden times, counterfeits, old United States currency, collectors' items of old coins, etc. The City Bank

Continued on page 41

Sterling Convertibility Prospects

By PAUL EINZIG

Dr. Einzig holds that success of the Conservatives in the forthcoming British General Election would be favorable to a return to sterling convertibility, as soon as it can be done without taking undue risks. Sees British balance-of-payments position still precarious, and holds there is not likely to be a return to convertibility until it is once more safely in equilibrium.

LONDON, Eng.—The outcome of the General Election on May 26 is bound to influence the destinies of sterling to a considerable degree. Should the Conservative Government remain in office the chances are that the policy aiming at restoring convertibility would be continued. There is no reason to suppose that the replacement of Sir Winston Churchill by Sir Anthony Eden as head of the government has made any difference from this point of view. Sir Winston Churchill during his Premiership took very little interest in economic questions; his interests were confined to domestic and foreign politics and national defense. The same is true about his successor. There is reason to believe that Sir Anthony Eden will give Mr. Butler fully as free a hand in the formulation of economic policies as did his predecessor. Indeed while Sir Winston Churchill was for a long time under the influence of the economic ideas of his close friend Lord Cherwell, there appears to be now no "grey eminence" in the background to influence Sir Anthony Eden.

Dr. Paul Einzig

As is well known, Mr. Butler is in favor of returning to convertibility as soon as this can be done without taking undue risks. This qualification means that it would be idle to expect a restoration of convertibility immediately after the General Election. The balance of payments position is precarious and is likely to continue to cause anxiety for some time. There can, of course, be no question of returning to convertibility until the balance of payments is once more safely in equilibrium. Even though there was a slight increase in the gold reserve during April, this is attributed to an influx of foreign short-term Funds attracted by the high interest rates. Sooner or later the bank rate will have to be reduced, and when that is done there is bound to be an outflow of these short-term Funds. The balance of payments must be balanced, not by attracting such undependable Funds, but by an increase of exports or a reduction of imports.

Moreover, the present level of the gold reserve is not sufficiently high to enable Mr. Butler to face convertibility. Nor is he anxious to increase it with the aid of borrowed dollars. His slogan "trade not aid" was reaffirmed in the Election Manifesto of the Conservative Party, and the government would look foolish if it were to raise a big dollar loan immediately after it has been confirmed in office as a result of the General Election. While Mr. Butler may feel that the arrangement of temporary credit facilities by the International Monetary Fund would not conflict with the "trade not aid" principle, he would presumably wish to add some hundreds of millions of pounds to the gold reserve before embarking on convertibility.

The immediate problem is how to safeguard the gold reserve even in the absence of convertibility. Although the bank rate has been at 4½% since Feb. 24, it does not appear to have produced the desired effect on the British economy. During March bank advances expanded by £25 million and in April there was a further increase of £44 million. There is no hope of checking inflated domestic consumption unless and until the volume of credit is brought under more effective control. To that end it may become necessary to raise the bank rate further, or to instruct the Bank to curtail credit. This will be the first task Mr. Butler will have to tackle if he remains Chancellor of the Exchequer after the General Election.

The conditions in which the government may feel safe to resume convertibility are not likely to arise until next year. Meanwhile progress may be made in the desired direction by raising the rate of transferable sterling to parity with the London open market rate. Once that is achieved sterling will become practically convertible in fact if not in law. The advantage of that solution would be that the Treasury would always be in a position to suspend the official support of transferable sterling if adverse pressure should be too strong. This could be done without any loss of face that would result from a suspension of legal convertibility.

Should the Socialists win the General Election Mr. Gaitskell would become once more Chancellor of the Exchequer. He is heavily committed to opposing convertibility, and so is the Labour Party. In any case the advent of a Socialist government would itself make it more difficult to restore convertibility. Even though there can be no question of restoring convertibility for the benefit of British holders of sterling, once sterling becomes fully convertible for overseas holders there would be many opportunities for British holders to evade the control. A return of Socialist government with its programme of nationalization, high taxation and other anti-capitalist measures would induce many people in the United Kingdom to transfer their capital abroad. If Mr. Gaitskell had no other reason for refusing to make sterling convertible, this consideration alone would suffice.

While a moderate Socialist government, such as that of Sweden for instance, could exist without strict exchange restrictions, the application of advanced anti-capitalist policies by a British labor government such as those advocated in the election manifesto of the Labour party, would make it unavoidable to maintain exchange control. Not only would Mr. Gaitskell be unable to abolish exchange control for the benefit of foreign holders of sterling, but he would have to reinforce the existing controls relaxed by Mr. Butler.

It seems probable that free dealings in cotton and other commodities would be suspended immediately after the advent of a Labour government. Other restrictions would be adopted to cope with the adverse pressure on sterling that is likely to develop as a result of a change of government. It is also Mr. Gaitskell's present intention to suspend official support of transferable sterling, but conceivably he may reconsider his attitude if he becomes Chancellor of the Exchequer and may heed the advice of the Treasury and the Bank of England to maintain the present practice. However this may be, it is safe to assume that, should the Socialists win the election, there could be no question of convertibility at least until the following General Election.

Understanding Federal Reserve Policy

By ROBERT VAN CLEAVE*
Assistant Vice-President
C. F. Childs and Company

In discussing Federal Reserve policy, as it affects interest rates and the market for money, Dr. Van Cleave warns against watching the System officials too closely or imputing too much significance to day-to-day or week-to-week operations. Points out the System is the basic source of credit and money in this country, and is "the lender of last resort," but contends, in forming ideas of interest rates and bond prices, it is best "to act as if the market were free." Sees ground for regulating credit, yet holds "the market fixes bond prices and money rates much more accurately than regulation of arbitrary authority."

You are of course fully aware that Federal Reserve System policy is important. You hear it talked about all the time, and you read articles and letters about it. Nearly everyone seems continually on tenterhooks, watching open market operations of the System, cultivating acquaintances who may have access to news "leaks," doing their best continually to peer over the shoulders of System officials, and even, if possible, trying to read their minds. They seem to fear some sudden, erratic, and unpredictable action, based largely upon whims.

Now there can be no denying that System policy is important. The essential thing that we must know, however, is the nature of its importance. There is no doubt whatever that if the System wishes arbitrarily to swing its weight about, it could force bond prices up in the face of almost any conceivable demand for capital, and it could force bond prices down, if it wished to do so, just as easily.

Federal Reserve Does Not Act in An Unreasonable Manner

It would be a gross exaggeration to say that anybody actually expects or fears that the System would act in such an unreasonable manner. And yet, in a smaller degree, of course, that is exactly what many persons' attitudes seem to imply. They anxiously consider whether policy will be "easy" or "tight" almost as if System officials were free to decide these matters on some basis other than the realities of the market place.

This, I submit, is the wrong idea of the way in which Federal Reserve System policy is important. System economists and officials are rational men; they do not live in ivory towers; they do not make decisions in a vacuum. To think that they do is an incorrect appraisal of their motive and intent—indeed, of the very function of the System.

It seems to me that the bull market in bonds from June, 1953, to April, 1954, was a prime example of this. The market greatly exaggerated the degree of "active ease" aimed at, and over-estimated the "flood" of reserves which was expected to be "pumped" into the market. Bond yields and money rates collapsed more sharply than they had done in many years, and I think the sharp drop in prices which followed, during May, was an inevitable reaction. Indeed, it was brought on, in my opinion, by a growing suspicion that that very thing had happened. People began to suspect that they actually had exaggerated "active ease."

I must argue that this a wrong view of the importance of the Federal Reserve System. It comes from watching System people too closely; from assigning too much significance to minor moves; from reading between the lines hints that are not there; from skepticism and unwillingness to credit plain and straightforward declarations by reasonable officials.

The Current Federal Reserve Policy

We should not waste time either, I think, in futile efforts to guess precisely what word or phrase will describe the current "policy." No doubt in their conferences the governors and the members of the Open Market Committee use such words as "active ease," "more active ease," "less active ease," and just plain "ease." I believe even "sloppy ease" was in popular use for a while. But we on the outside have no means of knowing of this until many months later, when we read about it in the official report of these conferences.

I suggest to you that such efforts may be even worse than futile. By watching System officials too closely, by imputing too much significance to day to day and week to week operations, we may lose sight of the broad policy picture as a whole. I imagine you have examined with a reading glass, at some time or other, a newspaper reproduction of a photograph. You know that if you examine the picture too closely, with too powerful a glass, you cannot see the picture at all. All you do is see a meaningless collection of small black dots, variously scattered.

No, Federal Reserve policy is important for reasons far more fundamental than any of those things. Its importance is simply this: The System is the basic source of credit and money in this country; it is the lender of last resort. Let me impose upon you briefly, to connect up this fact with those manifestations of policy which we see upon the surface. Let us review some elementary ideas.

When the System supplies, or tolerates, additional basic credit, bank reserve balances increase. This increase makes possible further lending or investing operations by commercial banks. If the System does not supply additional reserve balances, or permit other factors to supply them without offset, lending and investing by commercial banks shortly must cease. But as long as commercial bank lending and investing continues, deposits continue to increase. The money supply grows.

When savings bankers, or life insurance companies, or in fact any institution or person other than a commercial bank, makes a loan to a borrower, no increase in deposits takes place. The money—existing currency, or deposit balances in a bank—is simply transferred from the lender to the borrower.

Here we have a really significant point, the thing which lies beneath an understanding of Federal Reserve System policy. Lending by persons and institutions which transfers existing money is one thing; lending by commercial banks is quite another. Commercial banks cannot continue lending or investing unless it is permitted or facilitated by the System.

Now if in a period such as 1954 was, and as 1955 looks like it is going to be, would-be borrowers in total wish to borrow more money than there is available for lending in the hands of people like you savings bankers, the difference must be made up by an increase in the volume of bank credit if those additional borrowing demands are to be supplied at all. There is no other way. And, increase in bank credit means increase in deposits and money supply; they are synonymous.

You will understand, I am sure, that I am speaking of the growth in your funds available for lending. The funds you invested last year are not available for investing this year—unless, of course, the loans mature or you can find someone who will buy them from you. If you can, and you sell mortgage loans or securities bought in previous years, naturally you will be able to supply the wants of your borrowers to the extent of current increases in your deposits plus the proceeds of sales.

It is easy to see, too, that in thinking broadly about the increase in bank credit (or bank deposits, or money) it really makes no difference whether the customer whose loan application you turn down goes across the street to the commercial bank and gets his loan, or whether you sell some of your bonds to a dealer who in turn sells them to the commercial bank across the street.

Both these things happened last year, but the latter was the bigger item. Besides making loans and buying other securities, net, to the extent of more than $5 billion, the commercial banks in 1954 bought $6 billion of U. S. Government securities. This was about $5 billion more than the increase in the Federal debt (outside the trust accounts, etc.) which means that all private nonbank investors, as a group, were finding new loans and investments far in excess of their new accumulations of funds. This was true of savings banks, also. Last year their holdings of Treasury securities were reduced by $454 million; in the last three years by more than $1 billion.

The commercial banks, who naturally seek to maximize their incomes and profits, would have made more loans and bought more private and local government securities if more had been available. In such a year as 1952, for example, the net increase in their loans and other securities was more than $7 billion—and, significantly, in that year they bought somewhat less than $2 billion of Treasury securities.

The Years 1952 and 1954

What was the difference between the years 1952 and 1954? Why did the earning assets of all the country's commercial banks grow by more than $11 billion last year, but by only $9 billion in 1952? You may be sure they were then equally willing, not to say eager, to maintain or to increase their gross earnings.

The difference was that 1952 was a year of boom, while 1954

*An address by Mr. Van Cleave at the Western Trustees Day, sponsored by the Connecticut Valley Group of Mutual Savings Banks, Springfield, Mass., April 27, 1955.

was a year of recession (except perhaps for the last month or the last quarter). In a year of recession the Federal Reserve System is more willing to supply, or to permit to be supplied, the bank reserves upon which these deposits rest.

I emphasize **more willing**, because, contrary to some highly critical opinion, the System hardly ever **refuses** to supply additional reserves.

Thus, in 1954 the commercial banks were not only willing and eager but — because of Federal Reserve policy—they were **able** to buy the bonds and other Federal securities sold by savings banks and others, and it was this which made the shift in ownership possible without a pronounced rise in interest rates. Indeed, most bond yields and money rates were substantially lower at the end of last year than at the beginning.

I don't wish to go very far into the technical and rather warmly disputed matter of money supply and its growth. It will be enough to note that although during 1952, in response to high and rising demand for bank credit in a boom year, money supply rose slightly more than 3½%, that rise was accompanied by rather sharply rising interest rates. In 1954 the increase in demand deposits adjusted plus currency outside banks — money supply — was slightly less than 3%, and interest rates were trending downward.

Or, to put this point in a nutshell, high and rising levels of business activity clearly imply a rising demand for capital and operating funds — for credit, for money in all senses. Excepting those held down by special circumstances, prices of goods and services tend to rise. So also does the price of money, or interest rates. When business is low or declining, less money and capital are needed to carry on a reduced volume of trade; interest rates drop and bond prices rise because there is less demand for funds.

Now. I want to ask you a question. Isn't this precisely what you would expect to happen? Isn't it what did happen before there was any such thing as a Federal Reserve System? Isn't it, in short, what would take place in a free market?

"Act As If the Market Were Free"

Having—I hope—built up your suspense, I am now going to let you down. You may be shocked by the simplicity of the rule I'm going to suggest. It is merely this: In forming your ideas of future interest rates and bond market levels, you should **act as if the market were free.**

You see at once that this avoids all quibbles on such points, as, **Is** the market free? What is the **degree** of freedom, if any? **Was** the money market **ever** free?

There are probably at least 50 major economic indices which are carefully and continuously studied by economists of the Federal Reserve System. Indeed, it is safe to say there is no statistic, no news development having any economic implication whatever, that entirely escapes their attention. The weight and importance assigned to those thin s vary, however, from time to time. Their weights in the final formation of policy are assigned more or less subjectively. That is necessarily the case, since central banking is still more an art than it is a science, as Mr. Sproul of the New York Federal Reserve Bank told an audience a few weeks ago.

You and I should not neglect these economic indicators either. But we should not deceive ourselves into thinking that we can guess the way in which the authorities will weight them. Management is not **mechanistic**; it is not the pulling of certain levers and the pushing of certain buttons in response to ringing bells and red and green signal lights flashing.

Perhaps you may question the practicality of the simple rule I have suggested—that you **act as if the market were free.** You may say that the trend in government is away from free markets, and especially away from market determination of interest rates and bond yields.

There was a time when that objection would have been valid. But governments all over the world—governments much more socialistic than our own—since the war have been forced to recognize once more—to re-learn the lesson once well known—that the indirect methods of monetary policy are indispensable for economic management. They have had to admit that such indirect controls are necessary, simply because no other methods would work.

You will recollect that Great Britain raised the bank rate twice in the past few months—from 3% to 3½% and then to 4½%. Britain has not attempted to regulate market prices of long-term bonds since 1947. Norway is a practically completely socialistic state; nevertheless, she was forced to raise interest rates. The bank rate was lifted from 2½% to 3½% last February. Last fall that government sold some long-term bonds—at 4% instead of the 2½% borne by the last previous issue. Just last week Norway's neighbor, Sweden, also popularly hailed as an outstanding example of democratic socialism, likewise boosted her bank rate by one point—from 2¾% to 3¾%. It has been suggested by economists that such large jumps are the consequence of inflexibility — of stubbornly resisting the necessity for rate rises too long. I think that is a sound observation, and probably absolutely correct.

It may be suggested, however, that the managing authorities in such countries have no means of knowing the force of upward and downward pressures until they have built up very strongly. A free market can reflect these pressures and adjust to them gradually, in small steps, but managers in Norway and Sweden cannot rely for guidance upon quotations in a free market.

Some people have complained of the large fluctuations in our own American Government bond market, which they regard as the result of obstreperousness, if not wanton destructiveness, on the part of the Treasury and the Federal Reserve System jointly.

But such fluctuations as we have had are insignificant compared with movements in countries where efforts at control have been more rigidly doctrinaire. You may know that British 2½% consols nowadays sell customarily between 60 and 70. A 3.85% yield basis is about 65. They fell there when ex-Chancellor Dalton finally gave up the effort to maintain them at par, back in 1947, and that was a **really** considerable drop.

The Market Fixes Bond Prices and Money Rates

In brief, the market fixes bond prices and money rates much more accurately and sensitively than can the heavy-handed regulations of arbitrary authority.

The market has, in addition, another function. Rises and falls in interest rates serve to inform the Federal Reserve System of the effectiveness of the things they have been doing. Perhaps they might be likened to the movements of the mercury in a thermometer; they convey some information about the health of the body economic and politic. Is it getting enough money? Or too much? Or not enough?

Mr. Sproul, of the New York Federal Reserve Bank, put it in these words: "Interest rates have now become one indicator of the degree of credit ease or tightness which is being maintained by monetary policy."

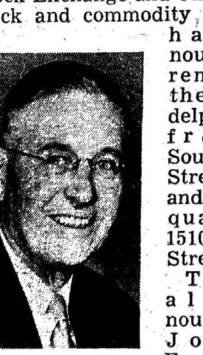
In a word, movements of interest rates in the market are useful to the authorities. I think it is not going too far to say, paraphrasing another and considerably older philosopher than I, if there were no free market for money, it would be necessary to invent one. Of, at least, the System authorities must contrive, somehow, that the market shall act as if it were free.

This is good enough for us practical men. It is the basis for the greatly simplified rule I have suggested to you: "Act as if the market were free." Don't waste time worrying about whether the Federal is going to tighten things or loosen them up, apparently as the result of a whim. If you see that your customers are demanding more and larger loans; if building activity is rising and mortgages increasing; if governments—Federal, State, and local—are borrowing increasing amounts of money to build roads, for instance; if businessmen and manufacturers throughout the country are expanding their plants, you will be pretty safe in guessing that the demand for money and for loans is rising. In the days before the Federal Reserve System, you would have been justified in *expecting* somewhat higher rates on the loans you make to your own customers, and you would have expected somewhat higher yields on Government bonds, if you were buying any.

The suggestion I offer you is that you act now pretty much as you would have acted then. Act as if the market were free, and I think you will not have very much difficulty in understanding Federal Reserve policy.

J. E. Fricke Partner In Bache & Company

PHILADELPHIA, Pa.—Bache & Co., members of the New York Stock Exchange and other leading stock and commodity exchanges, have announced the removal of their Philadelphia office from 121 South Broad Street to new and larger quarters at 1510 Chestnut Street.


John E. Fricke

The firm also announced that John E. Fricke has been admitted to general partnership and will serve as resident partner at the Philadelphia office. Harry P. Gerken continues as Manager of the branch.

Mr. Fricke, a native of Philadelphia, is a graduate of Swarthmore High School and of Wesleyan University, Middletown, Conn. He also attended the Wharton School of Finance and Commerce of the University of Pennsylvania.

He has been active in civic affairs in Philadelphia and during World War II he worked closely with the Red Cross and headed a War Bond Drive.

Two With First Western

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Edwin G. Henry and Peter F. Isola have become affiliated with First Western Securities, Inc., 1419 Broadway.

With Mason Brothers

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Daniel K. Turner, Jr. is now affiliated with Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The annual reports of the more actively traded fire and casualty insurance stocks are now out, and there are given today broken-down earnings figures and liquidating values. Two weeks ago there were given for these stocks data of gain to the stockholder in the form of the increase in liquidating values for 1954, plus cash dividends. Today's exhibit puts the liquidating value figures in parallel with 1953, and brings out more clearly the unprecedented growth in the year. This, in a majority of cases, will, of course, be more striking among the companies whose portfolios of security holdings are, proportionately, more heavily weighted with common stocks, versus those companies that are preponderantly in fixed income media.

But the increases in liquidating values were record breaking probably in a great majority of cases, regardless of management investment philosophy. Even such a unit as St. Paul Fire & Marine, whose holdings are so much committed to government, state and municipal bonds, showed a gain of 15%, while gains in excess of 30% are well sprinkled through the list.

When earnings are examined, the noteworthy point appears to be the markedly better showing of the casualty companies compared with the fire units. For those casualty companies that stuck to their lasts and did not take on large lines of fire and extended coverage, 1954 yielded excellent results (Aetna Casualty, Fidelity & Deposit, General ReInsurance, Massachusetts Bonding, Standard Accident and United States Fidelity & Guaranty).

In comparing the earnings results of the two types of underwriters, of course, the principal reason for the better showing of the casualty companies was the woeful experience of the fire units with their extended coverage, under which the bulk of the hurricane losses were rung up. Most casualty lines of business showed favorable results. Loss ratios were lower than in 1953 on workmen's compensation, general liability, auto physical, auto property damage and auto liability. And such steady dependable lines as accident and health, fidelity and surety made good gains.

It was a very profitable year for the casualty companies, and, while the fire companies cannot be said to have fared poorly, nevertheless adjusted underwriting results were lower in a great majority of cases; and even with the generally higher investment income reported, net quite uniformly followed the pattern of underwriting results *vis-a-vis* 1953.

	Adjusted Und. Gain		Investment Income		Net Earns. (After Fed. Inc. Taxes)		Liquidating Value	
	1953	1954	1953	1954	1953	1954	12-31-53	12-31-54
Aetna Casualty	$13.40	$20.23	$9.43	$10.86	$18.63	$21.57	$157.10	$200.35
Aetna Insurance	2.24	0.14	4.79	5.30	5.35	4.01	102.23	115.02
Agricultural Ins.	1.50	—1.03	2.32	2.66	3.47	1.42	54.61	64.15
Amer. (Newark)	1.69	—0.13	1.98	2.36	2.32	1.83	38.67	48.41
Amer. Reinsur.	1.62	1.32	1.99	2.02	2.70	2.00	32.75	39.72
American Surety	1.98	7.04	6.35	6.61	4.41	8.42	106.70	119.59
Automobile Ins.	12.12	9.13	5.01	5.43	10.65	9.28	116.04	156.74
Bankers & Ship.	6.57	3.13	4.22	4.88	7.15	4.43	106.82	127.55
Boston Insurance	2.01	—0.67	2.23	2.39	3.35	1.54	47.31	56.41
Continental Cas.*	5.49	7.22	2.33	2.72	4.33	6.16	40.17	54.02
Continental Ins.	2.77	1.04	5.10	5.32	6.52	5.20	98.12	128.39
Federal Ins.	2.18	2.70	1.15	1.29	2.10	2.23	29.51	35.19
Fidelity & Dep.*	5.73	6.98	3.70	3.85	5.54	6.97	90.15	106.36
Fidelity Phenix	3.22	0.96	5.48	5.69	7.11	4.92	110.04	146.07
Fire Association†	1.71	—1.90	3.23	3.95	3.89	1.81	73.88	86.03
Fireman's Fund*	4.83	3.03	3.23	3.18	5.15	4.35	59.96	72.11
Firemen's (New.)	2.09	0.07	3.54	3.95	4.27	2.96	45.78	64.52
General Reinsur.*	3.14	3.30	3.67	3.92	4.03	4.49	58.63	70.46
Glens Falls	4.68	3.37	4.08	4.35	6.41	5.26	84.37	101.84
Great American	1.27	0.35	2.19	2.89	2.62	2.64	48.16	61.22
Hanover Fire	0.65	—1.10	3.25	3.49	3.02	1.98	69.33	82.10
Hartford Fire*	11.14	10.03	7.23	8.18	11.76	11.08	152.53	179.43
Home Insur.	1.02	—2.48	3.15	3.18	3.39	0.34	62.01	74.15
Insur. Co. No. Am.	3.97	2.55	4.29	4.77	5.85	5.47	79.24	103.38
Mass. Bond	1.86	1.74	3.13	3.53	3.38	3.55	41.40	49.28
National Fire	3.42	—0.11	6.26	6.67	7.06	5.51	138.34	159.22
National Union†	1.99	0.82	3.97	3.13	4.66	3.59	76.87	70.01
New Amster. Cas.	1.42	4.46	5.04	5.47	4.58	5.55	75.44	89.16
New Hamp. Fire	0.96	—4.28	3.05	3.23	3.93	—1.12	70.65	79.53
Northern Insur.*	5.27	1.95	4.35	4.87	8.06	5.76	93.30	121.83
North River	1.71	0.70	2.23	2.34	2.61	2.34	45.68	55.56
Pacific Fire	7.48	3.58	5.40	6.23	8.76	5.72	141.22	171.37
Phoenix Insur.*	0.72	—3.26	4.83	5.09	5.32	1.56	111.54	130.95
Providence Wash.	—4.26	—12.55	2.54	1.97	—0.65	—11.48	49.33	43.50
St. P. Fire & Mar.	2.84	1.94	1.90	2.08	3.21	3.06	34.10	39.25
Security Ins.	1.32	0.57	2.81	3.21	3.69	2.97	65.79	73.97
Springfield	1.83	—0.23	3.80	4.07	4.09	2.41	85.66	100.31
Standard Accident	10.33	12.37	3.86	4.32	8.01	11.01	71.97	85.30
U. S. F. & G.*	7.26	9.20	3.94	4.49	7.97	9.48	73.85	92.92
United States Fire	2.50	0.69	2.90	3.12	3.49	2.98	64.43	76.39
Westchester	1.51	0.63	1.79	1.90	2.20	1.88	37.35	44.87

*Adjusted to capitalization at end of 1954. †Two periods not comparable because of capital increase by rights.

With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Gregory J. Altenhofen has become affiliated with Richard A. Harrison, 2200 16th Street.

With A. H. Chevrier

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Chauncy G. Loewenstein is now with A. H. Chevrier, 527 California Street, member of the San Francisco Mining Exchange. Mr. Loewenstein was previously with the Broy Company.

New York's First "How to Invest Show" Opens May 24

Industry and finance to join hands in illustrating the story of nation's industrial might and to instruct more people in method of buying a share of the future by investing in securities. Educational project is being sponsored by Merrill Lynch, Pierce, Fenner & Beane.

Industry and finance have joined hands to bring to New York City the first How to Invest Show in history. The Show is designed to tell the story of America's industrial might and to teach more people how they can buy a share of the future by investing in securities.

Winthrop H. Smith

The How to Invest Show is sponsored by Merrill Lynch, Pierce, Fenner & Beane, widely known investment and brokerage firm. Cooperating with Merrill Lynch are American Gas & Electric Company, American Iron and Steel Industry, General Electric Company, General Foods Corporation, General Motors Corporation, International Business Machines Corporation, Manufacturing Chemists Association, and the New York Telephone Company, representing several of the country's basic industries.

The How to Invest Show will be opened at the 71st Regiment Armory, Park Avenue at 34th Street in New York City, on May 24th, and will run through Memorial Day. The Show will be open continuously from 10:00 a.m. to 10:00 p.m. except Sunday, May 29, when the hours will be from 2:00 p.m. Admission will be free, the Show will be open to the public.

Everything at the Show depicts the matchless record of America's industrial and business achievements in the past, and spectacular plans for the future. The Merrill Lynch section of the Show will demonstrate—through graphic exhibits, an animated puppet show, and a continous movie—how anyone, with money to invest, can share in the promises for the future.

"There will be nothing for sale at the Show," Winthrop H. Smith, Merrill Lynch managing partner, emphasized in announcing the How to Invest Show. "The entire purpose of the Show is educational."

"The theme of the How to Invest Show is probably best summed up by the statement that will appear at the entrance to the exhibits. This statement says: 'Since America began, our industrial system has depended for its driving force on one primary source of power—invested capital. And people have invested their capital in business because it promised to pay them a good return. This is the story of how that promise has been fulfilled, and how you can share in the promise of tomorrow.'

"I believe that sums up our thinking in sponsoring this Show—the first of its kind to ever be held anywhere."

The industrial exhibits will portray three major factors: growth, stability and the industries' contributions to the national economy, plus future expansion plans particularly in the fields of inventions, new processes and new products. Many industry "secret weapons" for future success and profit will be brought together for the first time at the Show.

Bell solar batteries that get their energy from the sun; a mystery automobile of the future—the Le Sabre; an electronic brain in action; a kitchen of tomorrow; foods for the future; decorator-styled and self-answering telephones; and the newest developments in three basic industries—electricity, iron and steel, and chemicals, will be seen by visitors at the Show.

In line with its long-time policy of taking Wall Street to Main Street, Merrill Lynch will conduct a continous seminar on investing.

In ten action exhibits they will graphically trace every step in this simple business activity, so that people will know exactly what happens when they put their money to work.

Any person can judge if he should become an investor from the statistical exhibits in the Show. A puppet show will enable him to see how stocks and bonds are actually traded on an exchange. A continuous movie tells all the things a broker can do to help a potential investor. Other exhibits in the Merrill Lynch part of the How to Invest Show will emphasize industrial growth and expansion needs and show how and where investment capital is needed. Archy, a puppet symbol of the Show, will dramatize the investment process.

Exhibit highlights include:

American Gas & Electric Company presents a film showing the growth of the industry and recent technological developments in high voltage transmission, utilization of ultra-high steam pressure, and the development of nuclear reactors.

American Iron & Steel Institute—the role of basic industry since 1650, serving consumers, and its tremendous importance in the national economy, with a 31-foot scale model of a continuous rolling mill in action.

General Electric Company, in "Progress through Research and Engineering," will show seven research projects that are coming on the market, including man-made diamonds, a kitchen of the future, a scale model atomic plant, an automatic factory, newest jet engines and a brand new type of automobile headlight.

General Foods Corporation stresses the creation and marketing of new convenience foods and their importance in the home.

General Motors Corporation features transportation progress with models of old, new and future automobiles.

International Business Machines Corporation shows its electronic brain in action and speed demonstrations by typing champions.

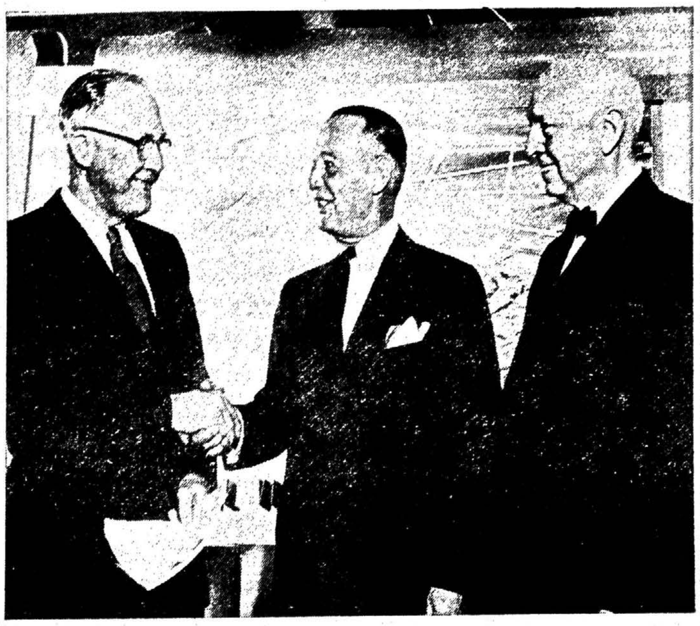
The Manufacturing Chemists' Association will indicate how more than 7,000 chemicals are used in every American industry. Special panels will highlight agricultural chemicals, detergents, synthetic fabrics and plastics.

The New York Telephone Company presents self-answering phones, decorator-styled colors in home phones, a replica of Alexander Graham Bell's first telephone—which can be used, technical transistors, solar batteries, the new transatlantic cable project, and a "see yourself on television" program.

F. R. Burns Opens

OKLAHOMA CITY, Okla.—Floyd R. Burns has formed F. R. Burns & Company with offices in the Liberty Bank Building to engage in the securities business.

Port of N. Y. Authority Elects New Officers



Donald V. Lowe (Left) of Tenafly, New Jersey, newly elected Chairman of the Port of New York Authority is congratulated by Howard S. Cullman who was elevated to the post of Honorary Chairman after 10 years as Chairman and 28 years as a Commissioner. Bayard F. Pope (Right) of New York City, newly elected Vice Chairman, joins in congratulating Mr. Lowe. The new Chairman, previous to his election, was for two years Vice Chairman. He has been a Commissioner for 10 years. Vice Chairman Pope came with the Port Authority 11 years ago. He has been Chairman of the important Committee on Finance.

Sees No Threat in Rising Mortgage Debt

Saul and Otto Fromkes of the City Title Insurance of New York City discuss study made by Federal Reserve Bank of Cleveland which indicates mortgage debt measured by Gross National Product and personal incomes has not unduly increased.

A study by the Federal Reserve Bank of Cleveland, entitled "Another Look at Mortgage Debt," seeks to dispel the doubts of most persons who have been expressing concern recently over the growth of the nation's home mortgage debt, according to a statement by Saul and Otto Fromkes, senior executive officers of City Title Insurance Company of New York City.

Saul Fromkes

This study's great value, said Messrs. Fromkes, stems from the fact it does not look solely at the gross dollar volume of outstanding mortgage debt, which passed the $75 billion mark last year, more than four times greater than its war-end low of less than $19 billion in 1945. Instead, this study relates the increase in this debt, and its carrying charges, to the growth of the gross national product from year to year, and to disposable personal income, or personal income after taxes.

This, according to the authors, puts the current home mortgage debt picture in a much more accurate perspective than mere dollar-volume comparisons that take no account of the great changes in the value of the dollar that occurred in the World War II and postwar periods, the great rise in personal wages and earnings, or the several-fold increase in construction costs and the prices of both new and existing houses, explained the City Title founders.

Long Amortization Eases Burden

One of the most striking facts brought out by the Cleveland Reserve Bank's study, said Messrs. Fromkes, shows that scheduled payments for interest and principal on home mortgage debt were not as high in relation to disposable income last year as in prewar 1939. Analysis also showed that such scheduled payments or fixed charges on home mortgage debt rose from their wartime low level of 1.7% of disposable income in 1945 to only 2.8% (less than double) in 1954, while the total debt itself multiplied more than four times over the same interval. For the explanation of this anomaly, Messrs. Fromkes quoted the study itself:

"How could this occur? The answer lies largely in the stretching out of the repayment period on home mortgages. As maturities have gone from 15 to 25 or 30 years, the amount of income absorbed in current debt charges has not risen nearly as fast as the amount of home mortgage debt. At the end of last year, scheduled payments of interests and principal were no higher in relation to disposable income than in 1939—a year in which mortgage debt was not considered excessive.

"If total payments on home debt are measured as a percentage of disposable income (including principal prepayments, mortgages paid off on the sale and refinancing of property, and debt extinguished by foreclosure), the 1954 ratio of 5.4% is somewhat higher than the level of 3.7% in 1939. Nevertheless, the increase in this ratio is not necessarily a cause for concern. In any event, it should be kept in mind that with the big increase in home ownership, the increase in home mortgage debt has been offset in part by a reduction in rent payments. To this extent, the growth of mortgage debt has not brought about a net increase in the economic burden on the borrowers.

Debt Matched Against Gross National Product

In comparing total mortgage debt and Gross National Product, said Messrs. Fromkes, the Cleveland Reserve study shows that this debt, most of its huge postwar expansion taking place in the housing field, has increased only slightly faster than Gross National Product since 1945, and is still not as high in relation to this economic index as it stood in prewar 1939. Over the longer period it is clear that Gross National Product "has risen relatively faster than total mortgage debt," the study points out, and adds this reassuring interpretative comment: "The latter point is accounted for by the lack of debt expansion during the war years. From this standpoint, the level of mortgage debt does not seem to be unduly high."

While the body of the Cleveland Reserve's study primarily discounts any fears over the present level of home mortgage debt, said Messrs. Fromkes, it naturally concludes by pointing out that a serious situation could arise in the event of a severe business recession—as would occur, in fact, in every segment of the national economy.

Says the study's closing paragraph in suggesting that a "final note of caution" is in order on this score: "Although the current relation of payment on home debt to disposable income appears to be within historically safe limits, this relationship could be changed drastically in case of declining income in a period of severe setback in general business. What now appears to be a level of debt that can be serviced from income without undue difficulty might become a crushing burden. Thus the 'safety' of today's huge volume of home mortgage debt depends heavily on high level production, employment, and income."

Messrs. Fromkes further point out that it is agreed today, that business is presently booming, for leaders like Ford are planning increased expansion. It it further agreed that all business forecasts say 1955 will be the biggest year ever. The Eisenhower Administration is committed to policies to maintain high level of business and employment; for the present their biggest concern is to hold the boom from becoming inflationary. In other words, today the outlook is not for an early depression, but quite the contrary, for a still greater prosperity.

Central Bank for Cooperatives to Sell $30,000,000 of Debs.

The 13 Banks for Cooperatives are making arrangements for a public issue of $30,000,000 of one-year consolidated collateral trust debentures, Homer G. Smith, Director of Cooperative Bank Service of the Farm Credit Administration, announced on May 13. This second issue of consolidated debentures will be used primarily to refund the $40,000,000 of Central Bank for Cooperatives 1½% debentures maturing on June 1, 1955.

The debentures will be offered at par. The rate of interest will be announced on or about May 20, 1955.

This new issue will be offered through John T. Knox, 130 William St., New York, N. Y., the fiscal agent for the banks, with the assistance of a nationwide group of security dealers.

The Banks for Cooperatives make loans to farmers' marketing, purchasing, and business service cooperatives. They are incorporated under the Farm Credit Act of 1933 and operate under the supervision of the Farm Credit Administration. The debentures are the secured joint and several obligations of the 13 Banks for Cooperatives. They are not government obligations, and are not guaranteed by the government.

Some Aspects Of Growth in Population

By PHILIP M. HAUSER*
Professor of Sociology, The University of Chicago

Prof. Hauser furnishes estimates of future population growth and its effects on the labor force and markets throughout the world. Concludes, though much of the population increase will be in areas of low purchasing power, these areas are undergoing industrialization, and their purchasing power may be expected to increase.

The next 20 years will afford most businesses almost unprecedented opportunity. This conclusion is based on an overall evaluation of prospective markets on the local, national and world levels.

Philip M. Hauser

On the assumption that the Chicago Metropolitan Area will continue to grow during the '50s and '60s as it did during the '40s, and this is a rate of growth below the national average, the Standard Metropolitan Area will have a population of over 7 million by 1970, almost 4 million of whom will be in the City of Chicago and 3 million in the suburban areas. This will mean an additional local market of over 1.6 million persons—a population exceeded in size by only five cities in the entire United States in 1950. During the same span of time the Chicago Metropolitan Area's labor force will increase by about 600,000 to reach a total labor supply of over 2¼ million workers.

It is possible that the population of the United States by 1970 will approximate 190 million persons or an increase of about 40 million over the 1950 Census returns. This will represent an increase in the national market in the next 20 years about equal to that of the entire Northeastern Atlantic States, New York, New Jersey and Pennsylvania. The increase in the population of the U. S. between 1950 and 1970 is likely to be greater than the entire population of the U. S. in 1870.

It may be anticipated that the nation's labor force will increase by 20 million workers by 1970 to reach a total labor force of 84 million persons. The economy thus will have both the opportunity to employ 84 million workers and the challenge to provide 84 million jobs by 1970.

For businesses interested in the world market, great expansion may also be foreseen. The world as a whole is likely to increase by from ½ a billion to 1 billion persons in the next 30 years if present trends are projected. Such an increase in world population will represent an additional world market equal to all of Europe in 1950 at the lower rate, and all of Asia at the higher rate of increase.

Much of the world increase is, of course, in areas of low purchasing power. However, an increase of from 62 to 170 million persons may be anticipated by 1980 in the Western world alone; and an additional 185 to 400 millions in countries now experiencing industrialization in which purchasing power may be expected greatly to increase.

*Abstract of an address by Prof. Hauser before the Investment Analysis Society of Chicago, Chicago, Ill., April 28, 1955.

With Reinholdt Gardner

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Malcolm L. Holekamp has become affiliated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

B. C. Morton Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Wilson T. Orr has become affiliated with B. C. Morton & Co., Penobscot Building.

Schreiber Dail Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Mary L. Murch is now affiliated with Schreiber, Dail & Co., 315 North Seventh Street. She was previously with A. Kahle & Co.

Two With King Merritt

(Special to The Financial Chronicle)

SPRINGFIELD, Mo.—Stansel E. De Foe and Mildred L. Nugent have joined the staff of King Merritt & Co., Inc., Woodruff Building.

King Merritt Adds

(Special to The Financial Chronicle)

MIAMI, Fla.—Harry L. Caldwell is now affiliated with King Merritt & Co., Inc., Chamber of Commerce Building.

Joins Hentz Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Russell Bernstein has become connected with H. Hentz & Co., 120 South La Salle Street.

Quincy Cass Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif—Gerald G. Mehuron has become connected with Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

Points for Better Overseas Trade

By WALTER H. DIAMOND*

Economist, McGraw-Hill International Corporation

Mr. Diamond lists as tips on how to organize for better overseas sales: (1) be prepared to offer longer credit terms; (2) take advantage of the expanded credit insurance guarantee policy of the Export-Import Bank; (3) concentrate on smaller markets as well as in the large countries; (4) seek orders in nations which have relaxed restrictions on U. S. goods, and (5) diversify your sales lists.

Three momentous world movements which began to take shape early this year will regulate the American exporter's profits in 1955. The favorable aspects of the first two of these far-reaching trends are substantially offset by the less cheerful effects of the third. This is why your business for the balance of the year will level off at the current healthy export-import rate.

Walter H. Diamond

Action by the Administration in implementing its liberal trade program provided the spark for overseas nations to spend more of their gold and dollar holdings. These reserves—which had accumulated at an unprecedented pace of $2 billion annually in the last five years—are at an all-time peak of $25 billion.

Second, Western Europe's greatest peacetime boom in 20 years inspired a new type of consumer durables market for the U. S. businessman. Reminiscent of the earlier postwar years in this country, the marked improvement in Europe's economic condition is obvious everywhere. The average European now wants a refrigerator in the kitchen, a television set in the living room and even a car in the garage.

Third, the incredibly stubborn coffee policies of some of the Latin American countries brought severe economic troubles and exchange shortages to the Republics that historically have been our best customers. The governments of these nations now shudder at the low prices of coffee here. A whopping 13-million bag coffee surplus heralds more import controls on American goods, some currency devaluations, increased pressure for U. S. loans, and tense internal political maneuvering, as well as unstable coffee prices.

Another retarding factor to expanding export profits, effects of which will not be felt until late this year, is the decision by the large American petroleum companies to voluntarily curb oil imports by 10%. Foreign dollar earnings are bound to be reduced substantially as a result.

However, U. S. commercial exports already advanced enough in the first quarter of this year over the corresponding period in 1954 to assure total overseas sales of $13.2 billion. This will be 3% over last year's shipments. That means that America's share of world trade will remain around 18%, compared with 12% in 1938. Imports, on the other hand, are likely to rise 6%, to $10.9 billion if the present accelerated buying from abroad is maintained. Tonnage of cargo arriving from overseas in all American ports is increasing. Dollar volume of letters of credit opened by leading U. S. banks is up. Retail sales of imported goods jumped 7% in the first three months of 1955 over the first quarter of last year.

*From an address by Mr. Diamond at the Cleveland World Trade Conference, Cleveland, O., April 22, 1955.

Renewal of the Reciprocal Trade Agreements Act for more than one year also will stimulate purchases from abroad, even though tariff cuts will be slight. Moreover, the White House is confident that the latest customs simplification bill now in Congress will facilitate import buying tremendously. Aside from eliminating red tape, the new law would establish a standard of evaluating imports for assessment of duties. Foreign value — the wholesale price at which overseas producers sell in the domestic market—would be replaced by the generally lower export value.

Added to these future encouraging import signs are the other forces already acting as key pillars to our overseas purchases. Tension in the Formosa area means that there is no end in sight for government stockpiling of strategic materials. Washington will spend nearly $1 billion for metals and minerals in 1955 to help build our defenses. There is no doubt that as long as a cold war confronts the U. S., stockpiling of these items will remain a vital factor in the stabilization of world trade.

To back up the expanding American economy in 1955, private business also needs more essential supplies from abroad. The upswing in production here leaves little to be desired. Already the Federal Reserve Board industrial index is 8% above last year's low point and is now certain to surpass the 1953 record. Revived steel output, miraculous auto production, skyrocketing highway construction and the continued housing boom foreshadow a new peak in the gross national product. Capital expenditures for plant and equipment have ended the downward drift begun over a year ago and will turn up decisively in the second half of 1955. Even more significant is the fact that the average consumer in the U. S. —as indicated by the latest University of Michigan survey — is much more bullish than a year ago and intends to step up his buying accordingly.

How to Organize for Better Overseas Trade

Astute American exporters such as those in the Cleveland World Trade Association quickly realize the importance of our expanding imports to their profits. But the question that immediately arises in your mind is how and where you can get your share of this money paid out by U. S. importers and accumulated by foreign nations. Here are seven brief tips on how to organize for better overseas sales:

One, you must be prepared to offer longer credit terms to cope with the completely changed conditions resulting from Western European competition. Although a recent survey made of members of the Foreign Credit Interchange Bureau in New York showed foreign competition was over-exaggerated, roughly 25% of these East Coast exporters said they had been undercut on one or more specific transactions. Another poll conducted by McGraw-Hill International Corporation of delegates to a recent Midwest trade conference indicated 60% were experiencing some difficulties because credit terms offered by exporters of other nations were more pleasing to prospective clients. Therefore, it is obvious you must choose some markets chiefly on the basis of credit, especially in Europe where terms of your sale are of prime importance because of competition from within the Continent.

Two, take advantage of the expanded credit insurance guarantee policy of the Export-Import Bank. Already over 50 American firms have received lines of credit to finance sales abroad. Many more lines are yet to come, including such similar exchange convertibility guarantee loans as the successfully-tested Caterpillar Tractor Company arrangement on a shipment to a Venezuelan firm. Commercial banks welcome the opportunity to work with you on these credit lines, as indicated by the $460 million rise in U. S. bank lending abroad last year. Moreover, it is likely that other private banking groups in addition to Chase Manhattan Bank will set up corporations to purchase foreign importers' notes from U. S. exporters. This procedure is now permitted under recent modification of the Edge Act.

Three, concentrate your efforts on the smaller markets as well as in the large countries. For instance, a little extra effort in Guatemala, Nicaragua and Uruguay can easily offset the anticipated 30% drop in your sales to Brazil this year. During the past two months hundreds of American manufacturers have replaced inactive distributors abroad with more competent representatives in the hope of reviving these smaller markets. Many of the recent requests for new agents received by the McGraw-Hill Trade Counselling staff come from such nations as Algeria, Belgian Congo, Ceylon, Finland, Greece, Honduras, Iran, Iraq, Jamaica, Lebanon, Panama, Paraguay and Trinidad.

Four, look for orders in the nations which have relaxed restrictions on U. S. goods. Last year 34 countries or territories—representing every continent in the world and accounting for 60% of world trade—eased controls on American products. You can expect several of these same nations to tighten barriers within the next eight months because of inflation and the dwindling backlog for consumer goods in Western Europe. But the U. S. producer would be wise to investigate the possibility of establishing licensee agreements in those countries where exchange curbs prevent import of his merchandise. These arrangements can be most profitable because royalty taxes generally range around 25%, considerably lower than the foreign income tax assessments. Such farsighted Midwestern firms as Burroughs Adding Machines and Lincoln Company of Cleveland have set up some of America's most successful foreign subsidiaries in Europe as another way to circumvent exchange regulations.

Five, if you find the total U. S. export volume of your product has been gradually declining in recent years, consider adding new items to your sales list. Out of the $214 billion spent in the postwar era as capital outlays for U. S. plant and equipment, it is estimated that 50%, or $107 billion, has been channelled into research or production of new products. These articles account for a large part of the sharp jump in exports over the 'Thirties. This explains why sales of many individual exporters are down while overall commercial shipments for the nation as a whole are up.

Six, lay your plans now for getting a share of the mammoth increase in Midwestern foreign trade which will surely result from the opening of the St. Lawrence Seaway. Overseas cargo carried from the Great Lakes is destined to grow at least ten-fold to 5 million tons annually. Some waterfront experts in the East figure that the port of New York will lose 19% of its business to the Seaway once the project is completed. The list of 90-odd classes of commodities now being handled by the port of Cleveland will swell to nearly 125 different categories. Several steamship companies, including the Finnish North American Line, the French Line, the German Ahlmann Trans-caribbean Line and the Swedish-American Line have recently begun operations on the Great Lakes. It would, therefore, seem logical for the larger industrial firms in Cleveland to prepare for greater ocean-going trade by building their own piers and terminals.

The **seventh** and last recommendation is to become a modern exporter. Here is a 1955 model: He must set a definite production and operational policy, which includes pricing of exports no higher than the domestic product. He must know the pitfalls as well as the advantages of his competitor's lines. He must have a background of the language, customs, political atmosphere and economic conditions of the country where he transacts business. Moreover, he must be sympathetic toward his customers' complaints, be promotion-minded and travel abroad as much as possible to keep abreast of consumer buying tastes in other lands.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The tight money market resulted in the Treasury paying out more than $700 million in cash to holders of the 1⅛% Certificates. This is the second largest demand for cash in a refinancing operation since the Eisenhower Administration took over the financial reins of the government more than two years ago. It is again the same old story; when there is a bear market in government securities there is not very much which has attraction for potential buyers of these obligations. Although 15 months is not considered to be a long maturity, it seems as though the desire for liquidity is so important that cash and the shorter Treasury bills were preferred to the 2% refunding note in many instances.

The government market has been showing a somewhat improved tone in certain of the intermediate and longer maturities. This betterment has been attributed to a minor amount of investment buying and a drying of offerings. Traders and dealers however, continue to be on the inactive side.

Rise in Prime Bank Rate Possible

It is believed in some quarters that there will be a further stiffening of interest rates because of the demand for loanable funds which is expected to increase with the passing of time. Not a few money market specialists are of the opinion that an increase in the "prime rate" from 3% to 3¼% would not be an unexpected development. It is evident that the commercial banks do not have an ample supply of loanable funds because the monetary authorities in their tightening operations have cut down rather sharply the available amount of credit. It is also indicated that some of the out-of-town deposit institutions have been making loans at rates in excess of what had been considered the unofficial "prime rate."

To be sure, the demand for credit will have to increase somewhat before there is likely to be an upping of loaning rates, or the powers that be will have to tighten the screws a bit more, because the commercial loan demand is not yet too large and is still lagging behind a year ago. There have, however, been increases in loans in recent weeks and the trend is being watched very closely by those in the money markets, since a continued expansion in the loan curve would be a forerunner to higher interest rates.

No Repetition of 1953

Even though the money markets are still under the influence of the limiting operations of the monetary authorities, certain of those who carry on in the government market appear to be of the opinion that further sharp declines in prices of Treasury obligations is not likely. It is being noted that the powers that be, have been applying the brakes very gradually, and there is not likely to be any reoccurrence of what happened in 1953.

The decline of two years ago did considerable damage to the government bond market, especially in the more distant sectors. Because of the break in the government bond market at that time, investors found out that Treasury obligations could decline in price just as sharply as corporates or other bonds could. They also discovered that government securities were not any more marketable than were the non-government issues. These developments took a great deal away from government securities and it will take a considerable period of time before Treasury issues regain their former place in the sun.

Because of what took place in 1953, and the different condition of the economy now, it is not expected there will be more than the mild type of restraint which is being used now in the money market. Under such a course of procedure, the government bond market should not be subjected to any greater pressures than what has already been witnessed. Even though there has been a fairly important decline in quotations of government obligations since the monetary authorities put on the drive to curtail credit, there has been an orderly market for these issues and there has been no semblances yet of what took place in 1953.

Present Restraint Policy to Continue

Although it is still too soon to be looking for a change in policy as far as the monetary authorities are concerned, there is at least some thinking around in the money markets about the time when there will be less pressure on Treasury obligations. To be sure, economic conditions will dictate to a great degree when this will take place, as well as the way in which it will be carried out.

Nonetheless, it seems as though some money market specialists are beginning to believe that the greater part of the decline in the government bond market has already been seen in the money tightening operations of the powers that be. This does not, however, mean that a turn for the better is just around the corner.

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A Balanced Budget—No. 1 Problem

years paid much of the war cost.

The next 11 years, from 1919 to 1931, were surplus years, and the war debt was reduced.

In 1932 Mr. Roosevelt came into office, and the most outstanding plank in his platform was to reduce Federal expenditures by 25% and to keep the budget in balance. He accused Mr. Hoover of "throwing discretion to the winds and indulging in an orgy of waste and extravagance." Mr. Hoover spent $4 billion in his last year, and the record shows that this spendthrift Hoover was the only President to leave office with fewer Federal employees than when he came in.

The Roosevelt Spending

Mr. Roosevelt added more than $200 billion to the public debt during his Administration.

I took my oath as a Senator the same day Mr. Roosevelt took his as President—March 4, 1933. The first bill I voted on was the legislation recommended by President Roosevelt to redeem his economy pledge by reducing all expenditures 15% — a difference of 10% less than his original promise, it is true—but I thought this was a substantial redemption of a campaign pledge, as such things go, and I enthusiastically supported him.

The title of the bill was "A bill to preserve the credit of the United States Government." Our debt was then about $16 billion. This economy program was short-lived—about six months—and the spending then began to steadily and rapidly increase.

Mr. Roosevelt presented 13 budgets and in every peacetime budget he promised a balance between income and out-go for the next year, but it turned out that next year never came. He was in the red all the way, and in every year of his Administration a substantial deficit was added to the public debt.

There were eight Truman budgets. Three were in the black —those for fiscal years 1947, 1948 and 1951. Two resulted from war contract cancellations following the end of World War II and the third resulting from increased taxes for the Korean War before the war bills started coming due. Five Truman budgets were in the red.

Mr. Eisenhower has presented two budgets—both in the red but on a declining ratio. The Eisenhower deficit estimates for fiscal years 1955 and 1956 aggregate $7 billion as compared to the last Truman budget which alone contemplated a $9 billion deficit.

The cold facts are that for 21 years out of the last 24 years we have spent more than we have collected. In these 24 years we have balanced the budget in only three; and these were more by accident than by design.

We must recognize that we have abandoned the sound fiscal policies strictly adhered to by all political parties and all presidents for considerably more than a century of our existence. It is true that during these 21 deficit years we were engaged in World War II for four years and in the Korean War for two years. Yet, in the years when the pay-as-you-go system prevailed we also had quite a few wars.

It is the quarter of a century of deficit spending which now makes balancing the budget so imperative. Young men and women, born in 1930, have lived in the red virtually all their lives. Our acceptance of deficit spending for so long a period has weakened public resistance to the evils of this practice. Bad habits are hard to change.

Why Shouldn't the Budget Be Balanced?

Will the deficits become permanent and continue to pile debt upon debt until real disaster comes? If we cannot balance the budget in this day of our greatest dollar income, when taxes are near their peak and when we are at peace, I ask, when can we?

It is disturbing these days to hear some economists argue the budget should not be balanced and that we should not begin to pay on the debt because, they allege, it will adversely affect business conditions. Have we yielded so far to the blandishments of Federal subsidies and Government support that we have forgotten our nation is great because of individual effort as contrasted to state paternalism?

Today the direct debt of the Federal Government is $280 billion. Percentagewise, this is an increase of nearly 1,200% over our debt in 1933. Our debt is equivalent to the full value of all the land, all the buildings, all the mines, all the machinery, all the livestock—everything of tangible value in the United States.

I think no one can deny we are mortgaged to the hilt. If we add to this Federal debt the debts of the states and localities, we have an amount in excess of $300 billion in direct public obligations.

This is five times as much as the total public debts in 1939. While public debt has increased five-fold since 1939 the Gross National Product — the output of our factories, farms, etc. — increased less than four-fold. When debt increases at a pace faster than the increase in the value of all goods and services, the currency is diluted with consequent shrinkage in the purchasing power of the dollar.

But the direct debts I have mentioned are not all of our obligations. In addition, we have contingent liabilities totaling $250 billion which the Federal Government has guaranteed, insured and otherwise assumed on a contingent basis. No one can predict to what extent this contingent liability will result in losses which must be paid by the Federal Government.

For example, $40 billion of this contingent liability is in some 40 Federal housing programs, and from recent disclosures of graft and windfall profits in the various public housing programs, it is evident that a substantial percentage of these contingent liabilities eventually may become a draft on Treasury.

In addition to the $280 billion in direct Federal debt, and the $250 billion in contingent liabilities, we have on our hands a Social Security system guaranteed by the Federal Government involving many millions of our citizens, which is no longer actuarially sound.

The ultimate cost of this system to the Treasury is still unestimated, but the fact remains that when the income from premiums imposed upon those who are covered in the system is no longer sufficient or available to pay the benefits, then regular tax revenue collected from those in and out of the system will be used to finance the deficiency.

Evils of Deficit Spending

Here are some of the evils of deficit spending:

The debt today is the debt incurred by this generation, but tomorrow it will be debt on our children and grandchildren, and it will be for them to pay, both the interest and the principal.

It is possible and in fact probable that before this astronomical debt is paid off, if it ever is, the interest charge will exceed the principal.

Protracted deficit spending means cheapening of the dollar. Secretary Humphrey testified before the Finance Committee that the greatest single factor in cheapening the American dollar has been deficit spending.

Since I have been in the Senate, interest alone on the Federal debt has cost the taxpayer of this country more than $75 billion. At present rates, on the Federal debt at its present level, interest on it in the next 20 years will cost taxpayers upwards of $150 billion.

Since 1940 the Federal Government has borrowed and spent a quarter of a trillion dollars more than we have collected in taxes.

Year by year, nearly in direct ratio to deficit spending, the purchasing value of the dollar has declined. Beginning with a 100 cent dollar in 1940, the value of the dollar had declined to 52 cents in 1954.

As proof of the fact that deficit spending is directly responsible for cheapening the dollar, let me mention that in 1942, when we spent $19 billion in excess of revenue, the dollar in that one year declined 10 cents in value.

In 1943, another big deficit year, the dollar lost five cents more in value, and another nine cents in 1946. From 1940 through 1952, an era of heavy deficit spending the dollar lost 48 cents in value, or nearly four cents each year, and it is still slipping but in much lesser degree.

Some may regard these facts and figures lightly, but the loss of half the purchasing power of its money in 13 years should be a serious warning to any nation.

Cheapened money is inflation. Inflation is a dangerous game. It robs creditors, it steals pensions, wages and fixed income. Once started, it is exceedingly difficult to control. This inflation has been partially checked, but the value of the dollar dropped slightly again in the past year. It would not take much to start up this dangerous inflation again.

Public debt is not like private debt. If private debt is not paid off, it can be ended by liquidation, but if public debt is not paid off with taxes, liquidation takes the form of disastrous inflation or national repudiation. Either is destructive of our form of Government.

Today the interest on the Federal debt takes more than 10% of our total Federal tax revenue. Without the tremendous cost of this debt our annual tax bill could be reduced 10% across the board.

The interest charge would be greater if much of the debt was not short termed with lower interest rates. Should this debt be long termed at the 3¼% paid on recent 30-year bonds, the interest would be nearly 15% of the Federal income. No business enterprise could survive such heavy interest out of its gross income.

Federal Grants to States

Since 1934 Federal grants to states have expanded enormously in both cost and functions. They slip in like mice and soon grow to the size of elephants. Every Federal grant elevates the control of the Federal Government and subordinates the control and authority of the states.

Nothing is more true than the rule that power follows the purse. When the Federal Government makes a grant it directs exactly the manner in which the funds are expended, even though the states partially contribute to the project. Time and time again I have seen the iron hand of the Federal bureaucracy with grants compel the states to do things they did not want to do.

Growth in Federal grants is indicated by the fact that in 1934, 21 years ago, the total of such grants was $126 million covering 18 programs. Now Federal grants total $3 billion for 50 programs. This is an increase of 300% in programs and 2,300% in cost.

These are the figures to date. As to additional grants for the future, President Eisenhower, in his address on the State of the Union, proposed to open up three Pandora's boxes of new Federal "handouts" 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

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longest step yet to Federal paternalism.

Under the Administration's road proposal a dummy corporation, without assets and without income, would issue bonds for $21 billion, and Washington would take control of 40,000 miles of the best roads in the 48 states.

By legerdemain this $21 billion in Federal agency bonds would be declared as not Federal debt and would be excluded from the debt limitation fixed by Congress.

The interest would be $11.5 billion, or 55% of the funds borrowed.

It was proposed to pay the principal of these bonds and the interest on them with permanent indefinite appropriations, which would remove the corporation from annual appropriation control by Congress.

The proposal would abolish the policy established in 1916 — 39 years ago — requiring states to match Federal funds for roads.

The scheme was predicated upon pledging federally imposed gasoline taxes over a period of 30 years for the repayment of the bonds and the interest.

The Comptroller General of the United States, Mr. Joseph Campbell, recently appointed by President Eisenhower, said of this proposal:

"We (The General Accounting Office) feel that the proposed method of financing is objectionable because . . . the borrowing would not be included in the public debt obligation of the United States . . . It is our opinion that the Government should not enter into financial arrangements which might have the effect of obscuring financial facts of the Government's debt position." Comptroller General Campbell also questioned the legality of the proposal.

We all want good roads. The people are willing to pay for good roads, but it is certainly not necessary practically to destroy the fiscal bookkeeping of our country in order to finance our road system.

These bonds would, of course, be a general obligation of the Government. There is no banker in this audience who would buy bonds of such a dummy Federal corporation without the guarantee of the Federal Government.

Should the gasoline tax be dedicated 30 years in advance for the payment of bonds issued to build roads then, by the same line of reasoning, other taxes could be dedicated for other specific purposes. If this were carried far enough there would be no funds for the more unglamorous but essential functions.

The second of the three Administration state-aid proposals involved about $8 billion in direct appropriations and contingent liabilities for payments, grants, loans and guarantees to states for school construction. The last bastion of states rights and individual liberty lies in the education of our children.

Federal appropriations to public schools followed by the inevitable Federal control will strike a fatal blow at the grass roots of our democracy.

I do not believe that there is a state or locality in the Union that cannot provide for the cost of its public school system if there is the will to do so.

It is impossible to estimate the cost of the President's third proposal. It was for a so-called Federal health payment program. It would be certain to cost millions of dollars annually and it could easily be the beginning of socialized medicine.

No Such Thing as a Federal Grant

It is well for everyone to understand that there is no such thing as a Federal grant. All of the money comes from 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.

Proposals have been advocated changing our budgetary system. The Secretary of the Treasury has not approved these proposals and I am certain he will not. But there are two budgetary proposals which recur with persistency, and I want to warn you of them.

First, there is the proposal for a "cash" budget. Those who advocate the "cash" budget are suggesting that the Government pay its routine bills with savings of the citizens who have entrusted protection of their old age and unemployment to the guardianship of the Federal Government. These trust funds were established from premiums paid by participants in Social Security, unemployment insurance, bank deposit insurance programs, etc. Not a cent of these funds belongs to the Government.

Second, some are advocating a "capital" budget which means that so-called "capital" expenditures should not be considered as current expenditures in the budget.

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 bonafide profit on any Government operation.

They must assume that debt contracted by a Federal agency is not a debt of the Federal Government and a burden on all of the taxpayers.

I am an old-fashioned person who believes that a debt is a debt just as much in the atomic age as it was in the horse and buggy days.

A "capital" budget must assume that Government manufacturing plants, such as atomic energy installations, are in commercial production for a profit, and that Government stockpiles are long-time investments for profit instead of precautions against emergencies when they would be completely expendable with no financial return.

Likewise, it must assume that the agriculture surplus program is primarily a long range investment deal instead of a prop for annual farm income to be used when needed on a year-by-year basis.

While the vastness and complexity of the Federal Government of the United States necessarily makes budgeting difficult, the so-called "conventional" budget currently in use offers the best approach to orderly financing with fullest disclosure.

What is needed for a better fiscal system is fuller disclosure of Federal expenditures and responsibility for them—not less, as inevitably would be the case with so-called "cash" and "capital" budgets.

With full disclosure of the Federal expenditures situation, the American people then would have an opportunity to decide whether they wanted to recapture control and bring the rate of spending into balance with the rate of taxing and thus reduce the tremendous Federal debt burden we are now bearing.

To recapture control we must first reduce unexpended balances in appropriations already made and rescind those which are nonessential. When we started this fiscal year unexpended balances in appropriations already made totaled about $100 billion, including $78 billion in appropriations enacted in prior years and $20 billion in authority to spend directly out of the public debt.

The situation is made even worse by the procedure under which Congress acts on appropriation bills. Not only has Congress lost control over the annual rate of expenditure, but once the President's budget is submitted in January, Congress never again sees it as a whole until after the appropriations are enacted. The first thing Congress does is to split the appropriation requests of the President into a dozen or more bills. Then it proceeds to consider them separately over a period of six months or more. In the consideration of these bills attention is given only to appropriations, and these may be spent over a period of years. An appropriation enacted in a year when revenue is high may actually be spent in a year when revenue is low. There is never an apportunity in Congress, in action on appropriation bills, to consider them in terms of annual expenditures in view of estimated revenue.

To correct such an intolerable situation, along with 48 other Senators, I have introduced legislation providing for a single appropriation bill which would set forth not only requested appropriations for the future but also unexpended balances available in prior appropriations. This resolution has three times passed the Senate but has not yet been acted on by the House.

It provides further that Congress write into the consolidated appropriation bill limitations on expenditures in the ensuing year from each appropriation. And beyond this it provides that in determining the expenditure limitations all proper consideration should be given the anticipated revenue, the cash position of the Treasury and the level of our Federal debt.

By this process, the Congress and the public would have the means of knowing our fiscal position and the facilities would be provided for balancing the budget with reduction in taxes and debt.

Along with this, I have introduced legislation giving the President the authority to veto items within appropriation bills, thus according him a double check on log-rolling which most of the governors in this country have used for years without abuse.

In short, I advocate one budget with full disclosures as to our expenditures, which fixes responsibility not only for the expenditures but also the administration of expenditure programs; I advocate a single appropriation bill in which Congress not only authorizes expenditures but controls them in a manner that can be considered in view of revenue. A budget is not a budget unless it has two sides—expenditure and income. And finally, I advocate an item veto for the President, who is elected to his office by all of the people.

With these provisions, I believe the budget can be balanced, the debt can be reduced and taxes can be lowered.

If, by budgetary and legislative procedure, we could recapture control of expenditures from the bureaucratic agencies, there are obvious places where they could be substantially reduced and eliminated without impairment of any essential function.

President Eisenhower has made a good start. The Truman budget for fiscal year 1953 totaled $74.3 billion. Estimates of the Eisenhower budget currently under consideration total $62.4 billion —a reduction of nearly $12 billion. Our tax income is $60 billion. Our deficits are decreasing, but we are not yet on a pay-as-you-go basis.

Most of the reduction has been in the military, and this is largely incident to the end of the Korean War.

The Secretary of the Treasury, Mr. Humphrey, for whom I have great admiration, and the able Budget Director, Mr. Hughes, are working diligently and making substantial progress toward sounder budgetary procedure and the elimination of waste in expenditures.

We are still practically at the peak of expenditures for domestic-civilian programs and proposals for more are coming forth in a steady stream.

In fact, expenditures for strictly domestic-civilian programs now total $24 billion, and this is more than three times the total cost of these programs in 1940, when we started the World War II build-up.

Even this is not the whole story on domestic - civilian expenditures, because these figures do not reflect the liabilities of the tremendous loan insurance and guarantee programs.

Nonessentials in these programs must be eliminated and this clearly can be done, as Mr. Hoover and his two fine Commissions on Government Organization have demonstrated in nearly 500 recommendations to date — some of which have been adopted, while other still await action.

With the pressure for more and more government which seems to characterize our times, I am convinced that such constant examination of government as the Hoover Commission surveys has become a continuing necessity.

With budgetary disclosures and Congressional control, under current circumstances and conditions, we should reject all new proposals for Federal spending innovations.

In fact, the budget for fiscal year 1956, beginning next July 1, could be reduced $5 billion by eliminating expenditures contemplated under new legislation and by eliminating increases in items under existing legislation. I would oppose all new proposals to invade the responsibilities of states, localities and individuals and start immediately to liquidate many of the programs already in existence.

Beyond this, I would eliminate as rapidly as possible all foreign economic aid, and I would get military expenditures quickly in hand through control of unexpended balances.

So far we have spent nearly $40 billion for foreign economic assistance. And at this late date, after 10 years of postwar foreign aid, the President has proposed to increase foreign aid expenditures in the coming year by nearly 10%, and he has asked Congress for new foreign aid approporations in amounts nearly 25% higher than were enacted during the past year.

We are still employing 562,158 civilians overseas. These people are employed all over the world, including 64 in Cambodia.

This foreign aid has got to stop some time, and so far as I am concerned the time to stop so-called economic aid is past due.

No one favors a reduction of our present burdensome taxes more than I do. I sit on both sides of the table. As an individual, I pay substantial taxes on my business operations. As a member of the Senate Finance Committee I have the opportunity to hear testimony of those who protest exhorbitant taxation.

But as anxious as I am as an individual for tax reduction, I am opposed patriotically to tax reduction which requires us to borrow and add to the public debt. It seems to me to be a certain road to financial suicide to continue to reduce taxes and then to borrow the money to make good this loss in revenue.

As things are now shaping up, there will be keen competition between the two political parties for tax reduction in the political year of 1956. If we reduce expenditures this is all well and good but, under political pressure, we should not yield to reducing taxes and still further unbalance the budget. Tax reduction should never be made a political football.

As Chairman of the Senate Finance Committee, I opposed the $20 tax reduction to each individual as passed by the House of Representatives this year. This would have occasioned a loss of $2.3 billion to the Treasury, all of which would be added to the debt. It would have given a tax relief of only about seven cents a day to each taxpayer and would have removed five million taxpayers completely from the tax rolls.

To borrow money to reduce taxes is not, in fact, a tax reduction. It is merely a postponement of the collection of taxes as, sooner or later, the taxes thus reduced will have to be paid with interest. There is only one sound way to reduce taxes and this is to reduce spending first.

At home we can get along without Federal usurpation of individual, local and state responsibilities and we can get along without Federal competition in business whether it be hotels, furs, rum, clothing, fertilizer, or other things.

The Bible says if thine eye offend thee pluck it out. I say if the Federal Government should not engage in such activities, we should first stop new invasions and then gradually, if not abruptly, eliminate the old intrusions. When we do these things we shall balance the budget, for lower taxes and reduced debt. There will be no further need for thick budgets and debt ceiling evasions and hiding taxes. The Government will be honest in itself, and honest with the people.

A balanced budget could be in sight if (a) we do not increase spending, and (b) we do not reduce taxes. Assuming no further cut in taxes, only a 4% reduction in spending, in terms of the President's budget, would bring us to that highly desirable goal.

La Salle St. Women To Hold Dinner Meeting

CHICAGO, Ill. — Beulah Zachary, producer of "Kukla, Fran and Ollie," will be the guest speaker at the next dinner meeting of the La Salle Street Women, Wednesday, May 18, 1955 at 6:15 p.m., at the Chicago Bar Association. Her message should be most entertaining and informative.

Miss Joan Richardson, of Glore, Forgan & Co., is President of La Salle Street Women, and will preside at the meeting.

First Southern Adds

(Special to The Financial Chronicle)

BOYNTON BEACH, Fla.—Rolf Kaltenborn is now with First Southern Investors Corporation, Southwest First Avenue.

Kidder Adds Three

(Special to The Financial Chronicle)

BRADENTON, Fla.—Lewis H. Cook, Otto Ellis and Phyllis A. Turner have become associated with A. M. Kidder & Co., 436 Twelfth Street, West.

Joins Bache & Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Leon T. Cheek, II, has become connected with Bache & Co., 96 Northeast Second Ave.

With du Pont Staff

(Special to The Financial Chronicle)

MIAMI, Fla.—Alfred J. Peiffer is now affiliated with Francis I. du Pont & Co., 121 Southeast Second Avenue.

Wyckoff I. Dey

Wyckoff Irving Dey passed away May 4 at the age of 85. Mr. Dey prior to his retirement had been associated with Graham, Parsons & Co.

Trade Associations and The Anti-Trust Problems

By HON. HERBERT S. BROWNELL, JR.*
Attorney General of the United States

Attorney-General Brownell discusses the various phases and problems relating to anti-trust regulation of trade association activities. Points out what is a permissible and what is a questionable statistical program for such associations, and calls attention to what might constitute an unlawful conspiracy of such organizations. Holds industry advisory committees, in some cases, have participated in practices which raise questions of violating the anti-trust laws, and suggests a few basic procedures to protect these committees against such violations.

Of continuing interest to you as trade association executives are anti-trust problems. Among them are trade association statistical programs; and the extent to which courts will infer illegal conduct to a company by reason of its membership in a trade association which has violated the anti-trust laws; and service by Trade Association officials on various Government Advisory Committees.

Herbert Brownell, Jr.

At the outset, the recent report of the Attorney General's Committee to Study the Anti-trust Laws, I believe, well states a sound anti-trust approach to trade association activities. "Anti-trust," the report states, "requires distinguishing constructive trade association activities operating to promote competition from those which unduly limit competition among members or with outsiders. . . . On the one hand, there should be swift and certain anti-trust prosecution of trade associations utilized to fix prices, restrict production, allocate markets or limit channels of distribution in violation of the Sherman Act. On the other, if their activities actually tend to promote, rather than hinder competition and preserve the indiviual firm's independence of decision, anti-trust should not inhibit their growth."

Some of you, of course, may recall the testimony of one of the respondents before the Federal Trade Commission in the Chain Institute case. In response to a question, this ingenuous gentlemen stated:

"Well, frankly, you know how you do at these meetings. You hear a lot of tripe and a lot of crap and red tape which they put through, and they put on a lot of rigamarole and put you on these committees doing a lot of different things. . . .

I could go on and on and on —but I want to say that when any two businessmen get together whether it is a Chain Institute meeting or a Bible class meeting, if they happen to belong to the same industry, just as soon as the prayers have been said, they start talking about conditions in the industry, and it is bound definitely to gravitate, that talk, to the price structure in the industry. What else is there to talk about?"

Well, I believe there is plenty else to talk about. For example, I start with statistics.

Trade Association Statistics

Statistics may, of course, relate to production, inventory, sales, orders, shipments, capacity, import and export, as well as to price and components of price. When I use the word "statistics," I refer to non-price data.

What, then, distinguishes the permissible from the questionable statistical program?

An initial safeguard is wide dissemination of data compiled. Thus it may be wise to insure that information is accessible to those who want it on reasonable terms.

The Supreme Court in *Maple Flooring*, upholding a statistical program, stressed that those statistics were published in trade journals, were sent to the Department of Commerce for publication in a monthly basis survey, and were forwarded to the Federal Reserve and other banks. More recently, in the *Tag Manufacturers* case, the court considered a plan for gathering information which, though not published, was available to all at reasonable cost. Approving the plan the court observed, "we agree with petitioners that availability does not mean the information must be crammed down the throats of buyers who are not interested in seeing it."

As a second safeguard, data should not be gathered with an eye towards subordinating independent action in favor of group decision. The courts, of course, recognize that individual action may be influenced by dissemination of trade data. Indeed, it seems only wise for a businessman to base his future conduct on what he knows about the present and past. If he does not, he probably will not stay in business long. Thus, a unilateral decision, individually carried out, does not become illegal just because it was based on data disseminated by a trade association.

Care must be exercised, however, to avoid the charge that association activities aim to fix individual price production percentages or market shares. Toward this end it may be helpful to submerge individual company data in industry totals. And to keep all statistical discussion as general as possible by avoiding analysis of any one firm's production figures.

Trade Association Anti-Trust Conspiracy

Beyond problems of industry's statistical programs, all of you are concerned, I know, with the relevance of trade association membership to a holding of anti-trust conspiracy. So it is that you may be interested in the recent District Court decision in *United States vs. National Association of Leather Glove Manufacturers*. In that case, all but one of the defendants had, prior to trial, negotiated consent settlements. The remaining defendant, Milwaukee Glove, chose to stand trial.

The complaint there charged a conspiracy, violating Section 1 of the Sherman Act, to stabilize glove prices by agreeing on "terms of sale" as well as "exchange of information concerning cost, production and sales." Milwaukee defended on the ground that it had *innocently* joined the Association; that the purpose of the Association was, not to stabilize prices, but "the elimination of evils or ills of the industry" (i.e., a "good" purpose); that, after subscribing to the original agreement, it committed "no overt act"; and, most important, that during five crucial years of conspiracy, Milwaukee has quit the Association.

Rejecting these contentions, the court held Milwaukee part of the illegal combination. Crucial was a 1936 "Fair Trade Practices" written agreement setting credit and discount terms and signed by Milwaukee. "At that time," the court noted, "the then President of Milwaukee expressed himself strongly in favor of the Fair Trade Practices, as adopted and agreed upon, and in substance, urged that they be made effective by concerted action." True, the court noted, "Milwaukee ceased to be a member of the Association" from 1938 until 1943. Further, the court felt it was "doubtleess correct that Milwaukee's rejoining the Association in 1943 was occasioned by reason of the number and complexities of wartime regulations. It would also appear to be correct that from 1943 to 1947 the Fair Trade policies of the Association were not stressed, due to the seller's market which continued throughout the wartime period." Nonetheless, the court held that: "Milwaukee's acceptance of the agreement is sufficient to establish an unlawful conspiracy . . ."

The teachings of that case, I feel sure, interest responsible Association leadership.

Serving On Industry Advisory Committees

Apart from statistical programs and conspiracy issues, I know some of you have from time to time served on various government industry advisory committees. Initially, various statutes including the small business, National Security, Civil Defense and Defense Production Acts authorize creation of *industry advisory committees*. At present, some 1,000 such committees exist. About 300, formed pursuant to *Executive Order*, have no *statutory* basis. Of the remaining 700 committees authorized by statute, nearly 600 have been established under the Defense Production Act. That Act provides for business advisory committees with "fair representation for independent small, for medium, and for large business enterprises, for different geographical areas, for Association members and non-members and for different segments of the industry."

When properly conducted, such groups may greatly aid in advising government officials and perform a genuine public service. But industry advisory committees *have* participated in practices raising questions under the anti-trust laws. For example, a 1951 study by a House Judiciary Sub-committee revealed some industry advisory committees had:

(1) Participated in "informal" agreements for allocation of production, shipments and exports;

(2) Conducted discussions of matters freighted with anti-trust significance through informal meetings, telephone conversations and correspondence, as well as through;

(3) Discussion of committee business, held without benefit of official supervision, prior or subsequent to formal committee gatherings.

Such industry advisory committee practices could form an integral part of a scheme for anti-trust violation. When members of such groups violate the anti-trust laws, of course, they risk suit not only by the government, but also by private parties for treble damages. Accordingly, industry representatives may be reluctant to participate in advisory committees unless possibilities of anti-trust violations are minimized. And lacking such assurance by government, the public may lose the valuable assistance advisory committees can render.

It is our belief that both government and industry may benefit from adoption of a few basic advisory committee procedures to protect against anti-trust violation. Indeed, the Congress in its most recent pronouncement on the subject requires that the Atomic Energy Commission, establishing advisory boards, issue "regulations setting forth the scope, procedure and limitations of the authority of each such board."

A Suggestion for Advisory Committee Procedure

To safeguard against anti-trust involvement, the Department of Justice has suggested the following standards for operation of industry advisory committees. *First*, there must be either satutory authorization or an administrative finding, that such groups are necessary to perform prescribed statutory duties. *Second*, the agenda for committee meetings must be administered and formulated by government representatives. *Third*, meetings should be called and chaired by full-time government officials. *Fourth*, at such meetings, full and complete minutes should be kept. *Fifth*, any conclusions reached should, of course, be purely advisory, with final decisions as to action left solely in the hands of government representatives.

If these safeguards are followed, as I wrote to the Secretary of Commercie in November of last year, "this Department raises no objection to trade association representatives serving on the advisory groups." And last February, Assistant Attorney General Barnes, reiterated this position. Thus, we have sought to encourage legitimate participation by trade association officials in properly safeguarded advisory committee work.

Beyond these anti-trust questions, Association executives, like most Americans, have a vital stake in anti-trust enforcement, for anti-trust has become a distinctive American means for assuring that competitive economy on which our political and social freedom in part depend. These laws have helped release energies essential in our world leadership. They reinforce our idea of careers open to superior skills and talent, a crucial norm of a free society.

General agreement on anti-trust goals, must not obscure important differences in means. Here, this Administration parts company with its immediate predecessors on perhaps three important scores. First, cases brought have aimed not at mere doctrinal perambulation but at making real strides towards either cracking restraints on entry of new businesses into an industry or controls over price. Second, because businessmen know this difference in policy will spell greater court success, pre-trial settlements have jumped sharply. Thus, this Administration aims to secure more results for each enforcement dollar. Finally, in those foggy unsettled reaches of law and policy, we have sought to help businessmen who seek in good faith to live within the law.

To ease the hazards of uncertainty, soon after this Administration took office, I appointed a national committee to study the anti-trust laws. That group's some 60 members included practicing lawyers, law professors and economists. Our aim was to gather articulate spokesmen for responsible points of view to formulate future anti-trust policy.

On March 31 of this year that group submitted to me its final report. For the first time since the Sherman Act was passed, the report surveys major decisions under the Sherman, Clayton, Robinson-Patman and Federal Trade Commission Acts. Thus, gathered in one place is a coherent statement of a prevailing view on major anti-trust issues. This report should be a real help to businessmen and their counsel who seek in good faith to live within the law. I commend it to your consideration for it is an important milestone in clarification of anti-trust law.

*An address by Attorney General Brownell at the Trade Association Luncheon of the 43rd Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 3, 1955.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Charles McGolrick retired from J. J. Harris & Co. April 30.

John B. Glover III retired as a partner in J. C. Wheat & Co. April 30.

Interest of the late Robert B. Stearns in Bear, Stearns & Co., ceased April 30.

Interest of the late John S. Billingslea in Francis I. du Pont & Co. ceased April 30.

Interest of the late Charles E. Haydock in Haydock, Schreiber, Mitchel & Watts ceased April 30.

Interest of the late William K. Barclay, Jr. in Stein Bros. & Boyce ceased April 30.

Scholle Brothers will be dissolved as of May 16.

Now Powell, Johnson & Powell

PASADENA, Calif. — The firm name of Milton C. Powell Co. has been changed to Powell, Johnson & Powell, Inc. Offices are in the Security Building.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

GROVETOWN, Ga.—T. A. Worth is now affiliated with King Merritt & Co., Inc.

Joins Smith, Barney

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Eldon J. Wicklund has become connected with Smith, Barney & Co., 39 South La Salle Street.

With FIF Management

(Special to THE FINANCIAL CHRONICLE)

BOSSIER CITY, La.—Robert D. Clancy has joined the staff of FIF Management Corporation of Denver.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SHREVEPORT, La. — James F. Dykes is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 608 Edwards Street.

Three With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Justin R. McCarthy, Thomas J. O'Neil, Jr. and Frederick A. Wood have become connected with Investors Planning Corporation of New England Inc., 68 Devonshire St. Mr. Wood was previously with Edward E. Mathews Co.

Continued from page 12

Industrial and Economic Implications of Automation

for. Self-insurance arose as many firms outgrew even the insurance companies which had formerly assumed their risks. Even commercial risks declined as firms grew large enough to decentralize their operations and diversify their products.

The innovation function of the entrepreneur declined also. Innovations consist of inventions, improvements in techniques or in organization. Recently they have tended to become the product of large research laboratories rather than a flash from the brain of an ingenious inventor. As Alfred North Whitehead, the famous British philosopher, once said, "The greatest invention of the 19th century was the invention of the art of inventing." Put some scientists in a well-equipped laboratory, pay them a fixed salary and they will invent or come up with new ideas at a predictable rate. Hence the almost constant annual increase in productivity of the last 60 years. Hence, also, the increasing obsolescence of the traditional functions of the entrepreneur.

In effect mass production technology led to a steady movement away from the authoritarianism of the Robber-Baron Era. That romantic old despot largely vacated the American industrial scene, being relegated now to a portion of the service and retail areas. This man of daring and imagination who relied on intuition and vision, or perhaps more accurately hunch supported by experience, became a technological casualty. The task of management changed. The shrewd bargain lost its significance. The top executive could no longer have knowledge of all the details of the firm's operations. Decisions began to be made by groups who put increasing reliance on the reports from the accounting, sales, legal and other departments. The executive was forced to view his task as more than a mere manipulation of men and materials. He began to think of his functions as consisting of planning, coordinating, controlling the operations of the firm and harmonizing the interests of employees, investors, suppliers and customers.

Business ceased being an operation that could be stopped and started with small loss. Rather it became necessary that it be thought of as a flow of goods, sometimes requiring a 24 hour operation. The regulation of this flow became a dominant concern of the firm.

The function of the stockholder as a provider of risk capital has likewise declined. In the last 10 years nearly two-thirds of all new private capital has come from corporate profits plowed back into the business. Actually less than 5% of new capital is really risk capital coming from common stock sales. Even common stock now often receives a fixed dividend much like the interest paid on loans. The vast increase in corporate size and the divorce of management from ownership has reduced stockholders' control of most large companies to virtually nothing. Thus it has not been the individual entrepreneur or the legal owner—the stockholder—who has emerged from the process of mechanization as the basic economic decision-maker and the holder of economic power in the economy. It has been the corporate entity itself.

The large corporations today have much in common with a modern central government. In fact, some American corporations have a scope of operations which exceeds that of some of the smaller European countries. General Motors' annual gross revenue, for example, is greater than the national income of Yugoslavia. International and interfirm contracts among these corporate giants partake the nature of treaties which cover an enormous field of operations. However, the gigantic size of modern corporations entails a public responsibility which cannot be avoided. Large firms can no longer shut down their operations, move their plants, invest in foreign countries or raise their prices without ultimately affecting the lives of millions of people. They do not adjust their output and prices according to the economic conditions prevailing in the country. They create the economic conditions of the country by their price, wage and output policies.

Thus began the new concept of the business organization which, because of increasing interdependence of industry, has now become applicable to the entire economy. Just as the function of the businessman evolved from that of innovator and risk-taker to that of coordinator and controller of a high-speed, continuous process, so has the function of the government changed. A British statesman recently referred to the modern industrial economic system as being like a jet plane which cannot slow down without falling out of the sky. The interdependence of large corporations with each other, with the government and with all other sectors of the economy has become so complete that unemployment and other maladjustments can no longer be tolerated without seriously threatening the entire framework of our economic system. Hence large corporations have become, of necessity, semi-public institutions with responsibilities extending far beyond their balance sheets to the limits of the economy itself. Since they can consciously control the level of production and employment through their wage, price and output policies they control the welfare of every citizen. In a democracy, then, it is clearly a responsibility of business and the government to insure a high and steady level of output and employment.

If the Industrial Revolution was the seed from which our economic system grew then mass production was the flower and automation is the final fruit. This fruit must be eaten and enjoyed or it may rot and fall to the ground. Automation is the logical conclusion of the process of mechanization which is now over 200 years old. While the first Industrial Revolution was a new technology based on new forms and applications of power, automation is a new technology based on communication and control. Yet for the most part the consequences are the same. Furthermore while mechanization provided the economic basis for continuous, high-level production, automation adds a technical basis. Machines with instruments running them cannot economically be shut down. Thus automation carries to an extreme the presently known economic and social consequences of a mass production technology.

The Scope of Automation in the Future

For the purpose of determining the extent to which automation can be applied to productive processes, industries can be divided into three groups. The first includes those industries in which production can be reduced to a continuous-flow process. Oil refining, flour milling, and chemical production are illustrations of industries in which automation has made, and should continue to make, significant progress. In other industries it is possible to revamp the productive mechanism in such a way as to convert it from a series of unit operations into a single endless process. While some industries utilize processes which are not conducive to automation, new methods of production may be conceived which are more acceptable.

A second class includes industries in which some automation is possible, but full or nearly complete automation is not likely. Indeed, it is possible that some industries may have automatic machines applied to 75% of their operations, yet the cost of making the plant completely automatic would more than offset the savings achieved from the use of partial application of automatic machines. In this category would be found industries which require substantial information-handling and accounting functions but in which the method of production or the nature of the product is not adaptable to continuous flow techniques. Such industries would include transportation, large-scale retailing, and the manufacture of certain nonstandardized consumer products like furniture.

The third group into which all industries may be classified includes those in which no significant application of automation seems likely because of the highly individualistic nature of the product, the need for personal services, the advantages of small scale units, or vast space requirements. These would include agriculture, mining, professional fields, and most construction and retailing.

The very high initial expense of automatic control systems may prevent their installation by small firms. Although an enormous expansion is occurring in the manufacture of all kinds of electronic control devices, prices are not likely to be materially reduced for some time. The rapid rate of innovation in electronics and the continuous discovery of new applications of automatic control systems tend to postpone their mass production. Consequently these machines tend to be designed for individual order and therefore production must occur under the most expensive conditions. However, computer centers such as the one which we have established at Georgia Tech (which has two electronic computers, the E.R.A. 1101 and the C.R.C. 1029D) will soon make many services available to medium-sized firms on a part-time rental basis.

Effects On Industrial Concentration

Although a sizable concentration of capital is necessary before a firm can achieve the economies of automatized operations, there is reason to believe that automatic control devices may lead to decentralization of plants. The growth of electric power transmission technology and the introduction of lightweight fabricating materials have already permitted plants to be located at great distance from power and supply sources. Since automatic equipment requires little direct labor, there will no longer be any compelling need to locate automatic production plants near large population centers. Of course, decentralization of production may be accompanied by further concentration of ownership if established firms take the lead in expanding into more remote areas. Decentralization of plants does not necessarily result in less concentration of market power. It may result in greater concentration.

Mechanization has also created capital surpluses which were partly employed in activity which led to further accumulation of wealth. Cumulative benefits have tended to accrue to those firms with excess capital. Automation, too, promises to reward the wealthier firms.

This is merely a continuation of the process which began with the Industrial Revolution 200 years ago and was accelerated by the introduction of mass production techniques about 70 years ago. However, unless there is a more vigorous anti-trust enforcement many firms may acquire more power than is necessary in order to achieve the economies of automation. Already there is a considerable concentration of power in a few large companies which can be justified only by the alleged economies of centralized financial control. For example, economies of production may require individual plants to be built on a large scale but can hardly be used to justify a holding company or chain control of a large number of similar units widely separated geographically.

Another danger is that there may be abuses of such economic power as automation necessarily entails. Entry into many industries is already severely limited by the necessity of huge capital investments, established markets, vast knowledge and experience, and preferred banking, commercial and political connections. Possession of these advantages gives great power to the established firms. Much of this power is inherent in the scale of modern industrial operations and cannot be dispersed without a loss of efficiency. Automation promises to enhance this power and it will become increasingly important that a vigorous anti-trust policy prevent its misuse.

Effect on Capital Investment

Automation does not promise to create as much secondary investment as have some of the earlier developments in technology. The introduction of the automobile and the resulting increase in primary investment in that industry stimulated a wave of investment in the oil, rubber, highway, and construction sectors of the economy. In this respect, automation probably will not make the far-reaching investment impression on the economy that the introduction and later improvements in automobiles, railroads, and canals, for example, created. Therefore, any loss of purchasing power due to a lower wage bill may not be offset by expenditures induced in other industries such as accompanied earlier advances in mechanization. Since the present industrial structure permits firms to reduce output and employment when demand declines rather than forcing them to reduce prices, it becomes necessary that fiscal policies not discriminate against lower income groups and that wages rise in proportion to increases in productivity. Otherwise there is the danger that consumption will not keep pace with output.

Effects on Management

The age of automation accelerates the need for greater comprehension and farsightedness on the part of both managements and labor. For example, rapid changeover times and greatly decreased inventories require more alertness and greater technical knowledge of managers than ever before. Furthermore as productive processes and factory layouts are changed the problem of determining managerial responsibility may change. In some cases automation may cause confusion of responsibility as formerly discontinuous, specialized functions are tied together in a continuous flow process. In other cases the improved communications system may make responsibility easier to fix and buck passing among departments harder to get away with.

Electronic computers increase the amount of knowledge, the accuracy of information and the speed with which it is obtainable, thus giving management a much clearer picture of its overall operation. By making knowledge of the consequences of alternative courses of action readily available business operations in the future can be conducted more rationally than in the past. Unprofitable operations or products can be more quickly discovered and credit managers will be able to follow the changes in financial ratios day by day. Collective bargaining and product pricing will be based on a greater volume of accurate information so that areas of controversy will be narrowed and conflicts based on misunderstandings of facts will decline.

Effects on Industrial Location

Automation can be expected to affect the location pattern of industries in several ways. First, there may be a shift in labor oriented industries. The attractiveness of low labor cost regions could be reduced, perhaps to the point of elimination. This can occur for two reasons. First, the number of workers in the automatized plant is considerably reduced thereby lessening the savings to be gained from employing cheap labor. Second, the automatized labor force is primarily constituted by skilled labor and there is usually a smaller wage differential between the skilled employees of different regions than between the semi-skilled and unskilled workers.

A second effect of automation on the location of industries is due to the possibility of an accelerated rate of obsolescence of equipment. There is an increased likelihood of abandonment of plants and the creation of depressed areas. If one large firm adopts automatic operations other firms in the industry may have to scrap or sell undepreciated machinery and adopt similar techniques or be squeezed out of the industry by the lower costs of their automatized rivals. Entire communities could become ghost towns if this happened and although there should be no long run attempt to freeze existing industrial patterns nevertheless some kind of direct assistance may become necessary to mitigate the most acute hardships in these distressed areas. Some of this aid could come by requiring the firms which are seeking lower cost locations to bear a larger share of the social costs of their operations. For example, the costs of moving workers and their families, earlier retirement under pension plans, increased unemployment pay and retraining programs should be borne largely by the firm. Industries composed of large and expanding firms could guarantee annual wages. Other costs would have to be borne by the government. For example, a greatly expanded free employment service would facilitate mobility and reduce frictional unemployment. Public work projects in distressed locations would provide jobs which would generate the purchasing power necessary to sustain business.

Third, automation is likely to affect location and operations by causing a substitution of process methods of production in place of job methods. Thus there may be more emphasis on the use of gasses, liquids, electric power and pure compounds and less emphasis on natural products, crude mixtures and solids since the latter are less adaptable to the flow of automatic processes. This may result in the displacement of large numbers of workers many of whom have long experience, seniority rights and a low mobility. A need may arise here to induce multi-plant firms to provide transfer rights among their various operations. Furthermore, as firms adopt automatic process types of operations the necessity of constant production arises. One logical extension of this concept of the business firm is, of course, the guaranteed annual wage, which has become economically justifiable in many industries now because of the necessity of maintaining full production, full employment and the mass purchasing power to sustain them.

Effects on the Composition of the Labor Force

In the past, as machinery has replaced men in production, energy has been released which was partly absorbed by an expansion of employment in travel, entertainment, and personal services. Automation should accelerate this process. Although the rate and extent of unionization probably will not decline directly as a result of automation, there will undoubtedly continue to be a relative expansion of employment in the service activities, a large proportion of which have been resistant to union organization in the past. While there is still considerable room for organization of production workers in the economy, this shift in the employment pattern suggests a possible expansion of areas which are more difficult to organize. For example, total employment has risen considerably since 1948, but employment in the increasingly automatic oil refining industry (which is highly unionized) has fallen from 147,000 to 137,000 since that time, although refinery production rose 22%. Several other basic industries have witnessed a decline of production workers and a great increase in engineers and technicians already.

Mechanization in general and automation in particular have three consequences for the demand for skills in the labor force. First, some existing skills will be rendered obsolete. Second, some existing skills will be diluted by a further division of labor. Third, there will be a demand for new skills, usually of a higher order. This last effect seems likely to predominate so that the overall result will be an upgrading of the labor force. Lower skills will be replaced with higher ones. However, the net effect on individual workers is likely to be a **down-grading** unless they can be retrained in these new skills. So far automation has not caused any significant overall unemployment because skilled workers have been retained in temporary or less skilled jobs. This kind of "hidden unemployment" is often overlooked in the total employment statistics.

Thus automation, unlike mechanization in general, results in long run upgrading of the labor force as routine and uninteresting jobs are eliminated and more responsible and challenging jobs are created. There will be an increase in the demand for highly skilled maintenance men, for example, and the ratio of managers to employees will probably increase because of the increased value of the equipment and the increased scope of the work process under any one manager's supervision.

But these new jobs require more education and training. The already critical shortage of engineers, for example, is bound to get worse unless business firms can become aware that it is in their own economic self-interest to endow colleges and universities and provide more scholarships for the tens of thousands of deserving young people who cannot afford to go to college.

Impact on Employment

Perhaps the most widely discussed economic effect of automation has been technological unemployment. Fear has been expressed that the greatly reduced labor requirements of automatic factories will lead to a persistent shortage of job opportunities in the economy. As an economy-wide problem this argument may be overdrawn for several reasons. First, automation will probably be limited to industries which employ, at the most, 25% of the labor force, yet this is the most highly organized sector. Second, automatic controls do not replace the labor force entirely, although in terms of labor hours there is a considerable saving. As routine clerical and operative jobs are abolished, new maintenance and technical jobs are created which go far toward offsetting the loss of former jobs. Third, extensive training and educational programs will be required as the labor force is upgraded and these will to some extent counteract unemployment by delaying entry into the labor market.

In spite of these mitigating factors, however, the severity of technological unemployment on the individuals affected should not be underestimated. Those who disparage fears of technological unemployment often assume the existence of a self-adjusting labor market. However, there is a real danger that imperfections in the labor market will seriously delay absorption of the displaced workers.

The barriers to labor mobility have always been great but even in the face of increasing concentration of capital it is likely that labor is more mobile and flexible today than ever before. Cheap transportation, improved communication and the disintegration of family and community ties, which specialization and industrialization have encouraged, all tend to make for labor flexibility among firms in the same industry or firms offering similar jobs. However, movement among occupations, particularly to more highly skilled jobs, entails great costs which individual workers cannot normally bear. Yet this is exactly the kind of mobility which automation will require.

It is not necessary that all workers be equally sensitive to changes in the demand for labor of differences in opportunities. A highly mobile minority in each occupational group will usually preserve the necessary flexibility of supply except where there are structural changes taking place such as automation may produce. The individual rewards for mobility, and penalties for immobility, seem likely to increase. This will favor young, aggressive workers with few family responsibilities and discriminate against older, more settled workers. It also may encourage the opportunists and the irresponsible as against the more stable elements in the work force.

There is no reason why labor should be more mobile, flexible and willing to assume the enormous risks of economic dislocation than the other components of production — capital, management and natural resources—which are to varying degrees organized, concentrated and immobilized. Indeed sacrifices made by other factors of production in participating in a competitive market are ordinarily much less than those made by labor. The possible loss of a speculative profit or, at most, the loss of an investment which businessmen, bankers or property-owners may suffer is usually not as severe a personal hardship as the loss of livelihood to a worker. The worker has not his, or someone else's, money at stake but his life, and his children's lives, on the auction block of the commercial market.

Conclusion

In summary, the long run, overall outlook for labor as a result of automation is good. However, the short run, specific problems of expensive geographical movement, loss of seniority, obsolescence of skills and so on may be acute. Therefore, there may arise a more urgent need to reduce frictional unemployment and provide guarantees against general unemployment. These guarantees cost little if the general unemployment doesn't arise and may save billions in lost production and untold human misery if it does.

Thus public policies should be designed to protect workers against possible personal hardships resulting from economic dislocations and maintain a high and stable level of production and employment. There will be many to reply that such policies will destroy our precious freedoms. In response, and in conclusion, I can only observe that the controversy is more semantic than real.

Abraham Lincoln once said that freedom seldom means the same thing to a wolf that it means to a lamb. Build a shelter to protect the lambs and the wolves howl that the lambs have lost their freedom. Of course, social services and collective bargaining restrict some kinds of freedom but they may safeguard or create other kinds of freedom of greater importance. Unemployment and insecurity can destroy freedom more effectively than laws and regulations can. Freedom to change jobs requires that there be other jobs to change to. In fact, the freedom to make a living, to pursue happiness, and to enjoy the blessings of democracy in a highly industrialized economy requires full employment and some degree of individual job security. Only stability and prosperity can insure that everyone will have the economic freedom upon which political democracy must rest. Automation can make the prosperity possible but at the same time it makes the stability indispensable. It becomes the responsibility of everyone, particularly business and government, since they make the basic economic decisions of the country, to insure that the great benefits of automation are used constructively to provide a better life for all people. If this is done, automation can provide the increased productivity to eliminate the poverty which still grips a fourth of our population. If not —if the benefits of automation are not equitably distributed — then man may become, as Norbert Wiener has observed, "an after-thought of business."

C. J. Devine Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter M. Frank has been added to the staff of C. J. Devine & Co., 75 Federal Street.

With Keller Bros. Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Martin F. Haney has been added to the staff of Keller Brothers Securities Co., Zero Court Street.

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(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Lawrence H. Nathan has become affiliated with Lerner & Co., 10 Post Office Square.

With Carr & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Richard W. Mackay is now associated with Carr & Co., Penobscot Building, members of the Detroit Stock Exchange.

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Walter R. Alexander is now connected with B. C. Christopher & Co., Board of Trade Building, members of the New York and Midwest Stock Exchanges. Mr. Alexander was previously with Waddell & Reed, Incorporated.

Public Utility Securities

By OWEN ELY

New England Gas & Electric Association

New England Gas & Electric (NEGEA) is an integrated holding company system, subsidiaries including four electric companies, one steam company and three gas companies. Revenues are 54½% electric, 43% natural gas and 2% steam. The area served in southeastern Massachusetts includes the important cities of Cambridge, Worcester and New Bedford, as well as the Cape Cod area.

Sale of the New Hampshire and Maine properties in mid-1954 completed the company's integration program under the Public Utility Holding Company Act, since its operations are now entirely in one state. The SEC has not requested the company to dispose of its gas operations, which are an important part of the system set-up.

Electric revenues are about 37% residential, 24% commercial, and 28% industrial. The company produces about 94% of its electric requirements, practically all from steam generating stations in New Bedford and Cambridge. While electric plants are efficient (averaging about one pound of coal per kwh) fuel costs in New England are high and NEGEA is participating in both the Yankee Atomic Electric Company, and the Atomic Power Development Associates in Detroit.

New England is not generally considered a "growth" area but NEGEA has enjoyed steady growth in revenues since 1940 as indicated in the last page of the 1954 report. Since that date revenues have increased from $15 million to nearly $39 million and gross income has nearly doubled. Gas sales have increased tremendously from 2.5 million mcf in 1940 to 8.3 million last year—while kwh sales have more than doubled. While 1954 was the first full year of use of natural gas, the company has a 30% saturation of house heating and kitchen heating versus 12% five years ago.

New England, despite its textile troubles, is not a "backward" area. Cambridge is the greatest research center in the country. Many new industries have located along the Belt Road and the Massachusetts Industrial Corp. is active in bringing in new industries. 63% of all manufacturing jobs added in 1947-1953 were in electrical machinery and transportation equipment. As the Federal Reserve Bank of Boston has stated: "The demand for electronic parts, radar, aircraft instruments, fire control devices, aircraft and naval ships all energized expansion of the metalworking branch of New England manufacturing. The transition in manufacturing activity means that New England is making improved use of its most important resource—manpower."

NEGEA's gas operations in 1954 showed substantial gains—21% in sales and 15% in revenues. These increases reflected intensive sales campaigns, particularly in promotion of heating, plus colder weather in some heating months. Even industrial sales (including interruptible) showed substantial gains. The average cost of gas, including a very small amount of manufactured gas for peaking purposes, was about 67 cents per mcf.

NEGEA's subsidiaries are taking full advantage of Algonquin's offers of interruptible and off-peak gas and its new plan to finance a major part of customer's installations to handle interruptible gas. Both of these features will add materially to the volume of gas sold.

NEGEA is not planning any major electric generating units for construction over the next several years, since it is expected that satisfactory arrangements can be negotiated for additional kwh purchases. The construction program in 1955-58 inclusive will aggregate only about $22 million and only about $8.5 million new capital will be required, which will probably not include any equity financing.

While the regulatory picture in New England is still a little gloomy NEGEA's rate problems are generally of a minor character.

NEGEA's operations in 1954 were affected by the two hurricanes (which reduced share earnings about 5 cents) and by the reduction in industrial activity in the first half. Domestic and commercial revenues increased about 5% but with kwh sales to industrial customers down 8% total revenues increased only about 1%. While consolidated net income gained about 11% last year, the 14% increase in the average number of common shares held share earnings to $1.37 versus $1.36 in the previous year. A modest increase seems possible this year, possibly to $1.37-$1.40.

NEGEA has been paying $1 since 1951 and the question naturally arises as to whether an increase in the rate is likely in the foreseeable future. Last year the parent company took down $1.26 so that the payout on this basis was 79%, although on the consolidated earnings it was only 73%. The parent company has not as yet received any dividend income from its investment of $4,856,100 in the common stock of Algonquin Gas Transmission Company (in which NEGEA has a 34.5% equity interest).

Completion of this pipeline was delayed by litigation but it has now been in full operation for over a year. NEGEA's annual report states "Information received from that company (Algonquin) indicates an earnings trend that may result in placing it on a dividend basis earlier than previously anticipated." When dividends are received from Algonquin and NEGEA's own earnings increase moderately it would seem reasonable to expect an increase in the $1 dividend, but this does not appear likely in 1955.

NEGEA is currently selling around 18⅜ to yield nearly 5½% which is well above average. The price-earnings ratio is about 13.5 compared with a general average of 15.8. The equity ratio is nearly 38%.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George A. Higley and Henry Kalis are now affiliated with Investors Planning Corporation of New England Inc., 68 Devonshire Street.

Palmer Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Lewis H. Millett has become associated with Palmer, Pollacchi & Co., 84 State Street. Mr. Millett was previously with Edward E. Mathews Company.

With Baker Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Alexander J. Dalton has become affiliated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

Continued from page 14

How Open-End Investment Companies Buy and Sell Securities

direct the purchase of the security from the selling group members it selects.

There will be occasions where these methods are not practical. Then, the company must purchase securities from other underwriters or dealers who can fill its requirements.

Special and Secondary Offerings

Two additional methods of executing orders in listed securities are special offerings and secondary offerings. In such offerings the price is fixed. Also, the underwriting spread or commission is fixed within the rules of the exchange. Once negotiated by the seller and his broker or dealer, neither the price nor the costs involved are subject to renegotiation by the investment company.

The underwriting spreads or commissions charged for special and secondary offerings are higher than those charged for ordinary trades. They have been fairly well standardized by practice at about two to two and a half times a stock exchange commission for a special offering, and at about 1½% to 2½% of the market value of the securities for a secondary offering.

The greater cost of selling securities by these methods limits their usefulness to occasions where speed is essential. In our own case, we seldom employ specials and secondaries as a means of selling securities.

However, we often buy securities offered through a special or secondary. Such a purchase assumes that we could not have bought in the regular way at a more favorable price. The decision as to how the purchase is to made is based on the judgment of the trading department.

Brokers who are contemplating specials or secondaries would do well to check first with the trading departments of investment companies. It often happens that an investment company is able to buy an entire block of securities being offered. In that event, the investment company should get the benefit of a lower price since it eliminates the cost of a special or secondary offering. This is particularly true of an offering of a block of control stock, which normally would be subject to the registration and prospectus requirements of the 1933 Act. Investment companies purchase stocks for investment and not for immediate resale and, therefore, are generally willing to sign the letter of intent which is required when unregistered control stock is sold.

Off-Board Transactions in Listed Stocks With Members and Non-Members

In considering specials, secondaries, or block trades of listed securities, either with a member or a non-member firm, the question that always must be answered by the investment company is this: Is it the most economical way to execute the transaction from the standpoint of total purchase cost or net proceeds? There can be no compromise of the principle that the investment company must obtain the best possible terms.

Off-board transactions with either members or non-members are executed on a basis where both the price and any commission to be paid are subject to negotiation. Usually transactions of this type are related to current market prices on national exchanges. In the case of a private placement of securities that would have to be registered under the 1933 Act if publicly offered, the discount from the market price of the security on an exchange can be substantial because of savings in legal and registration expenses.

In negotiating executions of this type, the investment company should always deal with the primary dealer or broker. It should not pay a dealer or broker a commission or profit for arranging a transaction with a primary dealer or broker if it is able to make the arrangement itself. In those cases where it is necessary to pay a commission to a primary broker, the lowest possible commission should be negotiated and no allowance should be made for payment of a portion of the commission to another dealer or broker not directly involved in the transaction.

Initiative and enterprise in seeking such executions will result in a number of orders to dealers or brokers who perform no services other than executing orders at better prices or lower costs than are available elsewhere in the market at the time. In the trading department of our own companies, standing instructions require the execution of any order with the broker or dealer who offers the best terms.

The Over-the-Counter Markets

If great care must be taken to obtain the best possible prices for listed securities, vigilance should be doubled when executing orders for unlisted securities. In this market, commissions are not fixed by an exchange nor are profits or prices fixed by a prospectus. Prices, profits, and commissions, if any, are all subject to negotiation.

The best prices can ordinarily be obtained in the primary markets. Therefore, if an investment company asks a dealer who does not maintain a primary market to execute an order for an over-the-counter security, a second profit or commission would be added to the price the investment company could have secured in the primary market itself. No soundly operated company does this.

In an over-the-counter transaction there should be no give-up arrangements with or participation in commissions or profits by those who perform no service in the transaction. Obviously, if a negotiated commission or price allows for a give-up of a portion of the commission or profit, a better deal for the company could have been negotiated if no give-up had been involved.

Other Markets

There are undoubtedly methods for executing orders that I have not covered in this summary. I have tried to indicate that an investment company uses all available markets and procedures in buying and selling securities, that all of its transactions are on a competitive basis, and that its paramount objective is to execute orders at the best prices and at the lowest costs. No consideration of reciprocity would justify more costly arrangements.

Division of Commissions That Are Not Subject to Negotiation

As I have already pointed out, commissions involved in transactions in securities (1) on a national securities exchange, (2) offered by means of a registration under the Securities Act of 1933, and (3) offered by means of specials and secondaries, are fixed by the exchange or the registration statement and therefore are not subject to negotiation by an investment company. It is perfectly proper, therefore, and indeed desirable, for the investment company to make arrangements with the brokers or dealers who execute such orders to "give up" a portion of the commissions to other brokers and dealers.

Before discussing how and why an open-end investment company asks executing brokers and dealers to give up a portion of nonreducible commissions to other brokers and dealers, I should like to make a few observations on the operations of such companies.

An open-end investment company employs a national underwriter to distribute its shares. The underwriter, in turn, generally employs the services of investment dealers throughout the country to distribute the shares to the public. This service is paid for by means of a sales commission which is included in the offering price of the shares.

Investment dealers perform a service to open-end investment companies when they sell their shares to the public. These sales provide cash to meet the day-to-day repurchase obligations of the companies, thereby avoiding the sale of portfolio securities solely for that purpose, and provide cash for further investment in portfolio securities. Selling new shares, therefore, is important to the success of such companies. The extent to which investment companies are successful in selling shares to the public depends to a large degree upon the continued interest of retail dealer organizations in such companies. The function of the retail dealer is to seek out prospective investors and advise them regarding the advantages of investing in investment companies, or of increasing their existing holdings if they are already shareholders. In this way they perform a valuable service to investors, including existing shareholders.

A large investment company which distributes its shares through dealers on a national basis does so through several hundred members of the New York Stock Exchange, several hundred members of other national securities exchanges, and many hundreds of over-the-counter dealers.

An open-end investment company has a management and research organization to assist its directors in the selection and supervision of the company's portfolio securities. For this service it usually pays an annual fee which is based upon the average daily net assets of the investment company.

To the extent that an investment company receives worthwhile investment ideas from brokers and dealers to augment the advice received from its own management and research organization, the investment company can improve the results for its shareholders without additional cost.

Investment company managements recognize that no one organization has a monopoly on investment information and know-how. They can benefit from the advice of other investment people in whose judgment, professional competence, and integrity they have confidence. In supplying information on investments, a sounder relationship will develop if the broker or dealer recognizes that investment decisions are necessarily the responsibility of the management. Those wishing to offer information to an investment company should make a conscientious effort to understand the company's investment policy and to make suggestions only when they seem suitable to such policy. Investment companies welcome information and suggestions given on this basis.

I hope that from these few observations you will be able to understand why investment companies seek the good will of both the brokers and dealers who distribute their shares and the brokers and dealers who are in a position, and willing, to furnish them with worthwhile investment ideas. We in the investment company business would like to be customers of all these brokers and dealers so long as we can find a way to do so within the framework of the fundamental principles I have heretofore set forth. To the extent that we are their customers, their interest in distributing our shares and in giving us investment ideas is increased. This is bound to work to the advantage of investment companies and their shareholders.

While a great many of these dealers and brokers might like to execute orders for an investment company and are well prepared to do so, the time lost by the investment company in placing orders with a large number of firms would place a severe handicap on the facilities of its trading department. In addition, the use of a large number of firms makes it more difficult for the investment company to maintain its desired secrecy as to its transactions. Time-consuming delays would exact stiff penalties when the volume of transactions is heavy.

Therefore, while we should like to do business directly with all of these hundreds of brokers and dealers, it would not be practicable for us to do so. For this reason, our investment companies execute their orders for listed securities through a limited number of member firms, both for the members' own accounts and for the accounts of their correspondents.

In addition, some of these members execute other orders, a portion of the commissions on which are credited by them to "give-up" accounts. Funds accumulated in the give-up accounts are then paid out to other member firms as directed by the investment companies.

The percentage of the total commission to be retained by the give-up broker for his own services and the percentage to be paid to others are subject to negotiation. The percentage retained by the give-up broker should be high enough to assure the best possible service and to command the special attention required for maximum efficiency.

Investment companies can also be the customers of non-member firms by giving business, either directly or by means of give-ups, to member firms of the non-member firm's choice. In addition, they can be the direct or indirect customers of non-member firms on securities purchased through the operation of underwritings and secondaries.

In these ways, investment companies can be the customers of a large number of member and non-member firms, and maintain a high level of efficiency in buying and selling securities.

State Security Directives

I hope it is clear to you from my remarks that a broker who wishes to execute orders for an investment company must render services to the company. Protection of the interests of the shareholders requires that the execution of orders for the company be surrounded with safeguards such as I have discussed.

In recent years, the soundness of many of these safeguards has been recognized by the National Association of Securities Administrators. On Jan. 1, 1953, the Investment Company Committee of that Association issued Directives covering reciprocal business of open-end investment companies. These Directives require:

(1) That promises and agreements of future securities business with the investment company may not be made to promote the sale of shares.

(2) That a broker or dealer may participate in commissions even though he performed no service in executing the order with respect to transactions on a national securities exchange, registered with the Securities and Exchange Commission. Such give-ups must be paid to the designated dealer or broker prior to a specified date.

(3) That a dealer or broker may give up a portion of his profits or commissions with respect to the purchase or sale of securities registered under the Securities Act of 1933 where the profit is fixed by the prospectus. This rule also applies to a special or secondary offering where the profits or commissions are fixed by agreements within the rules of the exchange and provided the investment company could not have purchased or sold the same securities at a more favorable price at that time. Such give-ups must be paid to the designated dealer or broker prior to a specified date.

(4) Give-ups on unlisted business are prohibited.

No Commitments as to Volume of Orders

The volume of orders executed by an investment company fluctuates from month to month and from year to year. Volume is determined by three variables: (1) sales of new shares, (2) repurchases of shares, and (3) the number of changes made in the portfolio.

If sales are equal to repurchases and no changes in the portfolio are thought advisable by the management, there will be no orders to execute. Conversely, high sales, low repurchases, and a number of changes in the portfolio will produce a large volume of orders. Therefore, it is inevitable that volume will fluctuate.

The inevitability of the year-to-year fluctuations in the volume of orders executed by investment companies is illustrated by the results of our operations in the past few years. In 1954, the volume of orders executed by our two companies was twice as much as it was in 1953. On the other hand, the volume in 1952 was but 70% as large as it was in 1951. How large or small this volume will be in 1955 and subsequent years will be determined by the three variables to which I have just referred: (1) sales of new shares, (2) repurchases of shares, and (3) the number of changes made in the portfolios.

I hope that my comments and figures make it clear that an investment company should not make commitments with any broker or dealer as to the amount of orders to be executed through him. It is important that every broker or dealer who executes an order for an investment company understand that no commitments are involved. Rather, the available commissions should be allocated by the company on an equitable basis to all brokers and dealers who render services to it. Our own companies operate under this policy. We do not have any commitments, stated or implied, open or secret, with any broker or dealer.

Conclusion

Open-end investment companies have become national institutions. If an investment banker, broker or dealer is willing to accept a fair share of the business available, when it is available, he has the opportunity to develop a long and mutually satisfactory relationship with them.

H. J. Bahls Opens

Harro J. Bahls is engaging in a securities business from offices at 55 East End Avenue, New York City.

Problems and Opportunities Facing Savings Banks

By CHARLES R. DIEBOLD*
Vice-President, National Association of Mutual Savings Banks
President, The Western Savings Bank, Buffalo, N. Y.

After reviewing the progress and problems of mutual savings banks over the last three decades, Mr. Diebold takes up the question of the present level of mortgage lending. Says situation is entirely satisfactory and will continue so as long as present high level of economic activity continues. Sees as important factors: (1) the extent to which people move about; (2) the increasing birth rate; and (3) increased family income. Reveals that in year ended March, 1955, the total increase in savings banks' deposits was put into mortgage loans.

Today is a memorable occasion in the annals of mutual savings banking. Just 35 years ago savings bankers came together for the first time on a national basis, in the City Club in Boston. Out of their deliberations grew our National Association, of which we are justly proud.


Charles R. Diebold

Another fact that makes this a memorable occasion is that we have just become a $30 billion industry. This represents a doubling in total assets over the last 10 years and an increase of more than five and one-half times since that day in Boston 35 years ago, which I have just mentioned.

It is particularly fitting that on this occasion we should have the opportunity of welcoming the nation's newest savings bank — Dukes County Savings Bank, in Edgartown, Mass., on the island of Martha's Vineyard. This bank opened just one month ago. I know that every savings banker here joins me in congratulating them and wishing them every success in the future.

The last year has been a good one for the savings banks. During the 12 months ended March 31, our deposits gained nearly $2 billion as compared with sligthly over $1.8 billion during the preceding 12 months. With the exception of February, deposit gains have been larger each month, beginning with August 1954, than they were in the corresponding months of the year previous. This means that we have been sharing in the upturn in economic activity that has occurred since the hesitancy that was noted at our convention last year. From the long-term point of view the future is also bright. The Twentieth Century Fund, after a long and careful survey of economic trends by an extremely competent staff, foresees a National Gross Product of $370 billion by 1960, measured in 1950 dollars, with an average income per household of $5,530 in those same-sized dollars. Let us set our sights accordingly. As leaders in the thrift industry there is every reason to feel confident that we can obtain our full share of the resulting savings of the people if we apply ourselves to the task.

Don't think for a minute that I am forgetting about competition. You and I know that it has been increasing by leaps and bounds in recent years and there is nothing to indicate any lessening of it in the future. Savers will have more dollars at their disposal, but the race for those dollars will also be keener than it has been heretofore. When I think of ourselves and our competitors, I am reminded of the recent incident involving Mrs. Eisenhower's dress. Her dress, like our banks, was the original model which had great popular appeal. Just as the dress was copied, so were our institutions. We meet ourselves in the person of our competitors every time we walk down the street. Although imitation is still the most sincere form of flattery, I think it can be overdone.

To an increasing extent, our problems today are industry problems. Top management is short-changing its own bank if it is not aware of the problems facing the entire industry. Just because these problems may not confront their own particular bank today, is no excuse. The problems and method of treatment of industry problems are properly part of the background of knowledge which top management should have stored away against the virtually certain time when its institution will face that problem on a local or state level. Rip Van Winkle days are forever laid to rest. Just as the advent of aviation, nuclear weapons, etc. has forced nations to think in far broader terms than they did a generation ago, so recent technological and other developments have forced the banker to broaden his perspective. Today's banker needs to be informed on many more subjects than did his eariler counterpart.

A dynamic industry, facing up to its problems, thus requires industry consciousness. It also requires adequate training for leadership. Junior executives, as well as top management, must understand the problems confronting both the industry and their own individual banks. Time, energy and money devoted to training our personnel will yield handsome dividends. In this connection, it might be a good idea if you would invite more of your junior officers to attend meetings of this sort where the industry's point of view can be assimilated. The discussion by a panel of our past presidents, tomorrow morning, for example, is to me one of the most important items on our agenda.

I want to talk to you now of a problem which is of immediate concern to many of us—namely, the question of adequate branch facilities. The search for branches involves convenience offered to the public—not to the banks. For the chief factor influencing the saver in his choice of a savings institution, various surveys have shown, is the convenience of location. Many of you are familiar with the situation in my own state, in which the savings banks have to date been unsuccessful in expanding their facilities into the rapidly growing suburban areas that have mushroomed as population has left the metropolitan centers. Our industry has not yet been permitted to catch up with the automobile economy. There should be available to savers everywhere the oportunity, if they so desire, to obtain savings bank services instead of being forced by default to take their funds elsewhere. The savings bank idea is a popular one, as shown by the 8¾ million depositors in New York State alone. The people in our suburban areas should not be denied savings bank services.

There is a tendency today toward "all purpose" banks. The best thought available should be stimulated to consider to what extent it is ultimately desirable to combine or to break down the combination of various classes of banking business. I, for one, would like to see our industry retain to the greatest extent possible those distinct characteristics which have given it such outstanding strength for well over a century and which have placed savings banks in the forefront of the list of necessary and beneficial community institutions. I am hopeful that the investigation for which the New York State Legislature has appropriated $35,000 may point the way out of the competitive chaos which has been mounting in New York State to the possible detriment of the public interest. To me, the solution lies not in increasing the similarities in the functions of different classes of institutions, but in recognizing the clear-cut distinctions which should exist between these functions. In my opinion, the more we break down distinctions, the more we increase competitive problems. Why not let each of our institutions stick to its own last?

I also want to share with you a few observations in reference to the problem of taxation. The present thinking of those who claim to seek to equalize competitive conditions between our institutions and their own is that taxes on mutual savings banks should be increased. These people have apparently given up hope of reducing their own taxes, so that they now want to raise ours. I would suggest to them that such an approach might well lead to a further breaking down of the distinctions in function between the different classes of financial institutions and, hence, intensify competition by causing the savings banks to increase the scope of their own activities. Our industry is very fortunate in having as the Chairman of its able Tax Committee our past President, George Gilman.

One result of the recent tax legislation has been to bring about a closer liaison between the savings and loans and the savings banks in the thrift industry. I feel that the conferences between their representatives and ours have been mutually beneficial to effecting a better understanding of each other's problems and the relationships between our two kinds of institutions. I look forward to further favorable results from continued exploration in this direction in the future.

One aspect of our business that is becoming increasingly important is public relations. From my remarks thus far it should be evident that I am very public relations minded. At times, some of us tend to forget that we not only do business in our respective communities, but we live in them. That means we must be good citizens. Savings bankers should take an active part in their communities' activities, and they should encourage every member of their staffs to do likewise. To be effective a public relations program must emanate from the top. Too management must be enthusiastic about it and must communicate this enthusiasm to the entire staff. The time has come for us to stop paying mere lip service to this important aspect of our business —and, believe me, it is important. We've got to recognize it as an integral part of modern savings bank operation.

No savings banker should underrate the importance of school savings. The youngsters of today constitute the active savers of tomorrow. On the national level, school savings is really big business, make no mistake about that. 222 mutual savings banks in 166 communities offer this service today and their school savings deposits aggregate more than $81 million. These deposits increased nearly 10% during the last year and this huge total represents the savings of nearly two and one-half million youngsters whose average account is $34.38.

To my mind, this is one of the best services that we offer and it is a "natural" for mutual savings banks. You may have noticed that there is a very attractive exhibit on school savings set up on the lounge floor of the hotel. I commend it to your attention.

Before I close I want to comment briefly on the present housing and mortgage situation. During the 12 months ended March 31, our savings banks put practically all of the total increase received from their depositors into mortgage loans. This amounted to almost $2 billion and brought the percentage of total savings bank assets in this type of investment up to 51.3%, the highest in about two decades. During the first quarter of 1955, we added $551 million, which was 36% greater than the amount put into mortgage loans for the same quarter of 1954. Mortgages continue to occupy the center of the stage as an outlet for our funds.

I believe that the present level of mortgage lending is entirely satisfactory and will continue to be so as long as economic activity continues at a high level. Leading mortgage men in our industry have observed that in most areas builders are adapting output to demand so that the economy is absorbing all of the new housing —1,300,000 anticipated starts this year—that is being built. The important element in this situation is not the marriage rate, which so many have emphasized. Instead, it seems to me, three other factors bulk larger: (1) the extent to which people move about and require new housing; (2) the role of the stork, with an increasing birthrate bringing about a growing demand for three- and four-bedroom houses, as contrasted with the two-bedroom houses that were built immediately after World War II; and (3) increased family income, which has enabled many to upgrade themselves with respect to housing. I strongly favor the trend which has made us a nation of home-owners rather than a nation of renters. Homeownership makes better citizens, provides an increased sense of security, builds better communities and makes possible raising better children.

Experience shows that a family with an income of $60 a week can set aside at least 20% for servicing a mortgage loan on the home that it purchases. The monthly cost of servicing a 4½% 30-year mortgage comes to $5.07 per $1,000 of mortgage principal. Hence, the family that I have cited could well afford to carry a mortgage of $9,500. In fact, the rule of thumb followed by some lenders would grant them $1,000 more than that. In addition to these mortgage payments, of course, the family would have to maintain the property and pay taxes and insurance.

In short, I see little danger in the present and prospective real estate and mortgage situation. This view is supported by the restraint that is likely on the level of building by the availability of building material, by the prospective supply of funds, and by the further moderating influence that the government is prepared to exercise should any excess develop.

In closing, I want to re-emphasize the importance to everyone of us of developing an industry consciousness and a broader point of view in tackling today's problems. It is essential that each of us think about the problems that our industry faces. I expect to share my thoughts on these matters from time to time with you and I hope that you will do the same with me. I will always welcome any thoughts that any of you may have which you believe may be of benefit to our industry. I am convinced that we'll get nowhere by keeping our thoughts to ourselves and I believe that through mutual swapping of ideas, we can make real progress in solving our problems.

*An address by Mr. Diebold before the 35th Annual Conference of the National Association of Mutual Savings Banks, Atlantic City, N. J., May 16, 1955.

Goldman, Sachs Group Offers W. R. Grace & Co. Conv. Debentures

Goldman, Sachs & Co. headed a nationwide group of underwriters which offered to the public yesterday (May 18), $30,000,000 of 3½% convertible subordinate debentures due May 15, 1975 of W. R. Grace & Co.

The debentures are being offered at a price of 101½% plus accrued interest. They are convertible into the following number of shares of common stock of the company for each $100 principal amount of debentures: 1.9 shares prior to May 15, 1965 and 1.8 shares on and after May 15, 1965.

The issue represents the first public financing by the company, which started as a trading concern in Peru over a hundred years ago and expanded its activities into ocean transportation, manufacturing and agricultural operations in Latin America, and into banking and other financial fields. In recent years the company has centered its expansion on the chemical industry in the United States, with the acquisition of Thurston Chemical Co., in 1953, The Davision Chemical Corp. and Dewey and Almy Chemical Co. in 1954, and the formation of Grace Chemical Co., which recently completed a new plant for the production of ammonia and urea.

The capitalization, at March 31, 1955, consisted of a total of $77,-655,000 long-term debt of the company and its subsidiaries; $7,183,000 convertible subordinate debentures; 130,000 shares of preferred stock and 4,165,940 shares of common stock.

Net sales and operating revenues in 1954 were $413,402,000 and net income after taxes was $14,794,000, or $3.50 per share of common stock, based on average number outstanding during the year. Including equity in undistributed earnings of non-consolidated subsidiaries and 50% owned companies, earnings per share were $3.95.

Tobey & Kirk Admit Fink to Partnership

Tobey & Kirk, 52 Wall Street, New York City, members of the New York Stock Exchange, announce that Col. Sol Paul Fink has been admitted to the firm as a general partner. This marks Mr. Fink's reentry into Wall Street after three years service with the U. S. Army in Europe on special assignment with the rank of Colonel. Before his military service he had been a Director and Vice-President of Merritt-Chapman & Scott Corporation and prior to that he was with Hirsch & Company, members of the Stock Exchange. Mr. Fink's admission to the firm was previously reported in the "Chronicle" of May 12.


Col. S. P. Fink

Chas. Pertain Opens

SEA GIRT, N. J.—Charles A. Pertain is conducting a securities business from offices here.

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Guided Research Essential to Economic Strength and Stability

they had previously been buying it, a valley in the production of that product develops. The men and women making that product then suffer a reduction or suspension of their income; and that could, if it spiraled, cause valleys in the production of things they still need and want but can't buy —unless they can be re-engaged to provide things that are salable. You cannot rectify the situation fundamentally by taking purchasing power away from those who still have it, and giving it to those who do not. Customers, production and employment, to stress it again, just cannot be separated, one from the other.

Now when you're bucking the line against consumer resistance or customer apathy with one product, it doesn't make sense to try another line play by ramming ahead with the weight of more production. Research, however, provides a way of switching to an end run with a new product, or with an improved, more useful and more attractive product.

Judging from the rate at which automobiles are being produced—and sold—this year, some of you must have been buying 1955 models. Every car you purchase sustains some individual in employment for some period of time. And that in turn helps him to buy perhaps a piece of furniture, a food freezer, or a television set your company made. But how many new cars of 1936, or even 1946, model could be sold in 1955, regardless of the fact that disposable personal income is at a record high? The models of those years were good automobiles, capable of long service. But they would hardly have the same appeal to the customers in 1955, no matter how much money and credit was available to buy them. And would customers buy the models of 1936 or 1946—or even the 1955 models—at the current 8-million-car annual rate, if the industrial research of the automobile industry had not brought new attributes of performance and appearance? Not very likely.

It is possible that consumer confidence is made up of a high percentage of consumer desire adequately titillated?

Why the Last Decade Has Been Prosperous

Consider the whole economic scene and ask yourself whether it was just an accident that, omitting Korea, the last decade has been one of the best economic periods in America's history from the standpoint of reasonably steady production and employment, and from every other economic point of view. It is true that the earlier years of this decade involved a refilling of consumer pipelines well exhausted by the drain on consumer goods in World War II. But how long would it take merely to replace, as an example only, the electric refrigerators worn out between 1941 and 1945?

How many new products were brought out during the mild readjustment period we had in 1954 and what effect did they have on that readjustment?

Those past 10 years of economic abundance for increasing numbers of people happen to be a decade in which American industry spent on product and process research, almost three times the total of all expenditures for the same purpose in the previous history of the United States. Was this just a coincidence?

Was it just accidental—the result of occasional "flashes of genius"—that some of the common everyday things we hardly think about, such as the fountain pen in your pocket or the power lawn mower you use, have been newly developed or completely redesigned since World War II? Or is there some relationship between that and the fact that in the last nine years the outlay for industrial research has amounted to something approaching $13 billion, as compared with an estimated $4½ billion from the founding of the nation until 1946?

Is there some relationship between these high expenditures and the fact that almost 62 million individuals had jobs in April—the highest number for that month in our nation's history?

New Major Industrial Developments

Consider with me for a moment just a few of the major developments in the last 10 or 15 years.

One of the most striking and familiar of those developments is, of course, television. My first television set came along after World War II. Only 7,000 television sets were sold in 1946. There were over 7 million sets sold in 1954. There are today 32 million U. S. homes with television sets. Were jobs created by the birth of the entire television industry? We all know they were. Did television spring into being like the mythological Minerva fully clothed from the head of Jupiter? Or was it the slow painstaking result of the years of application by many minds in the research laboratories? And now not just television but color television is a reality.

And what about our wonder drugs and vitamins? A few of them were being produced in only a small way a decade ago. Today their production aggregates millions of pounds and provides good jobs for thousands.

When you as a boy came home from school, hungry from the ardors of academic—or, more probably, athletic—pursuits, you used to call out: "What's cooking, Mom?" Today's teenagers come in shouting, "What's thawing?" For frozen foods have become such an important factor in our daily diet that a whole new industry has grown up during the 1940's and '50s and created many jobs. The production and consumption of frozen vegetables, for instance, did not become significant enough to be given a government price index until close to the end of 1950. Certainly this one development alone has helped to level out over-all employment by providing new jobs in this industry. Was industrial research involved at the beginning and all the way through? It was.

In the matter of air conditioning, only 11,000 units were sold in 1940. In less than 15 years those sales have soared to more than a million units. Every unit sold is related to a job and to a rising level of employment.

I have ceased being amazed by the profusion of all the new man-made fibers for clothes, rugs, and what have you. To me, they mean more production, more sales more jobs, more human wants satisfied, and a better chance created of not falling into an economic slump. And they all started with industrial research.

You know about plastics. I'm told that industry now has a capacity of 4.6 billion—not million—pounds a year. It dates back to the celluloid collar days, but research and development have been a mighty force of late for the achievement of new products and new employment in this field. Most of the new plastics aren't yet old enough to vote.

Only a few days ago, I saw a film on television depicting the invention and development of jet engines and jet aircraft. It portrayed an entirely new industry, one that is only in its infancy.

Atomic Energy

It is scarcely necessary to point out that atomic energy, as a source of civil employment, production and usefulness, is in a period of gestation. Yet none of us, I am sure, will have to be an exception to the actuary's calculations in order to be around to witness the birth of a whole new industry devoted to widespread application of atomic energy to manufacture and locomotion. Where that industry will lead, only the most far-seeing of minds can foretell. I am glad that some of those minds are now engaged in American industrial research.

Our own research program has gone far in United States Steel, and yet we are only beginning. We have developed and produced commercially some 300 new and different steels stemming directly from our research and development activities. One example is a steel, recently developed at U. S. Steel's new research center at Monroeville near Pittsburgh, in which resistance to heat has been stepped up by some 300 degrees Fahrenheit.

When we develop a product like that, we do more than create a new steel. We enable other industrial developers to manufacture the apparatus for conveying steam in red-hot pipes to electric turbo-generators, at higher temperatures and greater pressures. This, with the help of other things like improved combustion processes that have also resulted from research, enabled the electric power industry in the past 25 years to reduce by one-half the coal needed to generate a kilowatt of electricity. And that benefit, in turn, has been finding its way to you as a consumer.

Incidentally, some of the imaginative people in industrial research think the day is not too far away when the conventional boiler will be outmoded for steam generation of electricity. They think that steam will move to turbo-generators from steel superheater tubing that will stand up under pressures of 5,000 pounds to the square inch, compared with present top pressures of 1,500 to 2,500 pounds. That is bound to mean wider use of electricity based on this research.

Our research activity has expanded five-fold in the last 15 years. It involves many things—too many to try to enumerate today.

When we create more easily workable steels to which harder yet more attractive enameled surfaces may be applied, you get a more efficient and more attractive kitchen in your home, and some fellow gets a job.

One section of our new research center is devoted to improving and expanding the usefulness of tin plate in tin cans. At the center, tens of thousands of cans will be packed with food products and stored at a thermometer reading of 100 degrees. This will subject cans and contents, in a relatively short time, to the same test as if they had been left on the kitchen shelf for two, three or more years.

Then, too, our research people are conducting a good deal of what I might call "outdoor research." They are testing wood preservatives and steels of everyday use in every extreme of climate in America and under atmospheric conditions prevailing on the farm and in the city.

When I alluded to plastics a bit earlier, I probably should have told you that one of our coal-chemical products, naphthalene, is a basic ingredient in pressed plastic products. Research has led to lower-cost, larger-volume production of naphthalene in improved form. And it has done the same in the production of three of our other coal-chemicals that are needed for the manufacture of dye-stuffs which give eye-appeal and color-fastness to today's fabrics. Also, increased agricultural productivity has come through research in our production of ammonia and ammonium sulphate for fertilizers.

An undocumented story bearing on this type of research is said to have come from a third-grade class near Pittsburgh. When the pupils were asked to give their names and tell something about their families, the daughter of a research scientist reported: "My father is a cook! He cooks coal for a steel company." And so he does and he is a smart cook. He spends a lot of time searching for better ways to "cook coal" for improved production of the coke that is vital to our steel-making process, and for the release of more valuable coal chemicals from it.

And now to come back to our starting point: Has the diversified, expanding industrial research activity I have touched upon, tended to create new jobs and even out employment during the past 10 years, and will a continuation of that research perform a similar function in the next 10? Will it help us alleviate the depressed periods, the periods of low industrial activity so costly to wage earners and investors alike? I am confident the answer is clear.

Facets of Present-Day Industrial Research

Present-day industrial research has many facets. It is certainly a source of new products, of better ways of living, of more leisure moments for many people, and of greater safety in their daily lives. But the aspect I have wanted to emphasize today is that research will prove to be an increasingly valuable aid in creating and sustaining jobs—in continuously supplying momentum to our economic progress, as is illustrated by the discovery of one of the largest chemical companies that for every dollar it spends on research it must ultimately spend $6 on new plant and equipment and that means jobs. And, of course, that is only the beginning of the chain reaction in other industries which develop production and employment traceable right back to that research laboratory of the chemical company.

We cannot pause to give credit where credit is due; to distribute deserved credit to al lthe cooperative efforts in research; to the work of market and product developers; to product engineering; to the continual improvements in industrial processes; to the thousands of plant personnel all over the country who come up with new ideas and better ways of doing things. For research, in the broad sense in which we have considered it, is not confined to units called laboratories. In a very real sense, research is found first and sometimes most importantly in the mind of an individual—a boy tinkering with a bicycle or a radio is to a degree engaged in research.

Research, like liberty, is everybody's business—the business of devising ways to make our economy stronger and our living better. Research is a state of mind and a way of thinking. In industry today, research is organized initiative. In our great research laboratories, it is in a very real sense, Guided Ingenuity.

My Story

Now that's my story for today. I do not claim for research centers that they will insure economic growth at a consistent rate, or provide progress without any troughs and valleys. I know that any change is certain to bring its employment dislocations. But I do assert that taking everything into account, the research, and the new plants and the new products, and the new jobs that flow from research, can play an important role in bridging our economic chasms. I do believe that adequate, continuous, well financed research is the mustard seed of tangible faith that will help to remove obstacles to greater abundance for all, and thus aid in banishing from our land the specter of economic stagnation.

Let's put it this way. In industrial research we have found the touchstone for keeping people busy, for providing useful employment, for cumulatively creating a means of easing our economic thromboses.

Research, in the last analysis, offers the only road to finding out how to produce more and better goods cheaper; and finding out how to produce more and better goods cheaper is the proven way of guaranteeing more and better jobs and wages—contractual devices to the contrary notwithstanding.

When you think of the almost magical combined effects on our economy of new ideas being worked on today, in the thousands and thousands of research units, and the new products and new jobs that will evolve from those ideas—need we fear periods of recurring economic depression? Well, we ought to fear them enough not to be smug about our progress. But we ought not to be pathologically frightened, so that we reach into the medicine chest of economic quackery every time the slightest quiver runs through production and employment. For I think we can be more confident than at any time in the past that periods of economic depression will be milder by reason of the chain reaction of industrial research — assuming always, of course, that we maintain and safeguard our enterprise system, and our right to research.

As the credit executives in this country, you must meet the challenge of providing the channels for both distribution and sale of the products of research to the mass market that your credit has been so vital in creating. You, therefore, play an important role in evaluating and financing many phases of research. Give it your full confidence. Back it with your credit dollars. All this, I assure you, will reward our economy many-fold, like the Scriptural talents that were not buried but were put to fruitful use.

Twin City Bond Club To Hold Annual Picnic

MINNEAPOLIS, Minn. — On June 9 The Twin City Bond Club will hold its Annual Picnic and Field Day at the White Bear Yacht Club, White Bear Lake, Minn.

A golf tournament is one of the leading events planned for the all-day outing, also included in the plans are sailing, swimming and tennis.

Wednesday evening, June 8 a social get-together will be held in the Nicollet Hotel, Minneapolis, Minn. for all guests and members.

Paul E. Casserly, of Merrill Lynch, Pierce, Fenner and Beane, Saint Paul, Minn. is Chairman of the Picnic Committee.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Karl L. Kellogg is now associated with Francis I. du Pont & Co., 723 East Green Street. He was previously with Hill Richards & Co.

Edwin Boehmer Now Is in Chicago, Ill.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edwin Boehmer is now conducting his investment business from offices at 18 E. Elm Street. He has been in the investment business in Wenatchee, Wash. for many years.

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How Much Bull in Ebullience?

tions in the Far East — even though they were recently strictly of the on-again, off-again variety — and it is apparent why both producers and consumers stepped up their purchases. Moreover, a good deal of the increase in industrial purchasing was the logical sequence of stepped-up production schedules.

Borrowing from the Future

Far more significant is the fact that the current recovery was accompanied by a sharp expansion in private indebtedness: consumers, once again, increased their instalment purchases substantially and, on top of that, the rate at which new mortgage debt was created in the first quarter of 1955 also showed a further sharp gain.

Figures show, that this year to date personal debt has been expanding faster than personal purchasing power. That makes it obvious to what extent the vigor of the new boom has been dependent upon the accelerated pace of personal debt expansion.

This, of course, is over-stimulation — and there is no way of telling how long this trend will be maintained in case "confidence" gets a shock.

There is at present a great deal of talk about "momentum." It is argued that the "confidence" of the public is sufficient to carry us along at full speed. So it is quite possible that the inevitable drop in automobile production later this year will come as a distinct shock to many, particularly if it is accompanied by a decline in related industries.

Actually, there is a possibility that this may develop into the first genuine test of the public's "confidence" in the Administration's readiness and ability to smooth out business fluctuations. It will be of the utmost importance what impact a 30 to 50% cut in automobile production will have on the total level of retail sales.

Dubious Offsets

Those who believe that any drop in automobile production later this year can be easily "offset" by progressive strength in other sectors of the economy are banking heavily on one or several of the following factors: (1) Higher plant and equipment expenditures by business; (2) Further increases in consumer spending; (3) Resumption of inventory accumulation; and perhaps (4) Higher Government spending.

These factors—perhaps not individually, but any combination of two of them—could instill considerable strength into the economy—at least unless the anticipated drop in automobile production is coupled with a decline in housing.

There are some serious doubts, however, that any of them will develop the kind of strength the optimists are visualizing.

The 1955 McGraw-Hill survey of intended plant and equipment expenditures, published just a few weeks ago, showed a marked increase in these plans from a preliminary survey for 1955 made last Fall. This obviously reflected the unexpectedly quick recovery since last Fall. Nevertheless, the very fact that businessmen revised their capital spending plans so swiftly, under the impact of bullish news, raises the suspicion that capital spending plans—with the exception of the very large corporations where long-range expansion plans are imperative and financially feasible—still are far more sensitive to short-range business fluctuations than we have been led to believe. If they are that sensitive to bullish news, they may prove to be just as vulnerable in case bullish expectations show signs of fading away.

Inventory Arithmetic

When it comes to inventory accumulation as a potential "offset" to less favorable business developments in the latter part of the year, we find it difficult to whip up much enthusiasm. It is true, of course, that the economy was greatly strengthened by the mere ending of inventory liquidation in the third quarter of last year. That removed one to the most important down-drags.

But is it extremely unlikely that we shall witness another extended period of inventory accumulation such as occurred during the first half of 1953. There are always lags in the retail sales - production - inventory pattern but, with the experience of 1953 still fresh in mind, manufacturers will not be too keen to keep on producing for inventory if finished products start backing up in their warehouses—and even price inducements fail to move them satisfactorily. Besides, any protracted inventory rise would, of course, be an unfavorable rather than favorable factor — at least from a longer-range point of view.

Untested Medicines

Government spending, also touted as a possible offset for a potential setback, is of course a function of either international developments or domestic economic policy. That puts it strictly into the realm of politics and as yet nobody has devised a method to pierce the mysteries of political expediency—beyond the rule of thumb that the Administration will be in there pitching if it becomes afraid that its current attempts to prevent speculative excesses may trigger another genuine decline in business activity.

Such a conclusion is safe in the face of what was done last year for the purpose of first cushioning and then reversing the decline in business.

Last year's tax cuts, the insistence on easy money, and credit as well as the stimulation of housing through enactment of the Housing Act of 1954 were deliberate steps—but, at the time they were taken, nobody had any way of knowing just how potent they would prove. The fact of the matter is that even now we can't be sure about this. The vigor of the recovery no doubt was, and still is, largely due to the Government steps taken last year — and the suspicion is growing that these measures may have been actually too strong for the intended purpose. That is in sharp contrast to what the Democrats and the unions say about the Eisenhower economic policies — but what they are saying — namely that all this still was "too little and too late"—is of course also dictated by political expedience and, more precisely, election strategy.

The economist of today is pretty much in the same boat as the doctor who has to work with a new drug or vaccine that has not yet been thoroughly tested. Both know enough about the general effects of their tools—they even know about available antidotes — but they don't know enough about the doses needed, how quickly they will become effective and how long their influence will last.

In economics, these remaining uncertainties underscore the importance of the strength and the timing of anti-inflationary or anti-recessionary policies.

Dragging Prices

One of the most puzzling features in the current recovery is the fact that raw material prices — with a few exceptions — have failed to develop any buoyancy and finished products prices actually have continued under open or hidden pressures.

Some observers have tried to make something out of occasional minor increases in the commodity price indices, but any strength that did develop was the result of a few special situations rather than a reflection of broadening commodity demand generally.

This is important. It is true that a moderate weakness in commodity prices does not necessarily mean an imminent decline in the level of production. But if a strong business uplift, such as we have witnessed since late last year, does not cause even a fair "spring rise" in commodity prices, it does not look quite right.

Were it not for such factors as pressure for higher wages, the threat of strikes, and Government stockpiling, chances are that by now even greater pressure on the commodity price picture would be in evidence.

Circular Reasoning

Consumer spending this year to date has been stimulated by a number of factors. Chief among them were the vigor of the recovery; the hit the new automobile styles made with the public, coupled with the possibility of a strike just at the peak of the season; recurring fears of international troubles; and the ease with which credit was, and still is, available for consumer purchases down the line from homes to a new suit.

There has of course also been a sizable increase in personal income which, coupled with last year's tax cuts, has boosted disposable income considerably.

Nevertheless, is it reasonable to conclude from this set of circumstances that consumer spending will further increase when it loses at least one, and possibly two, of its most important motors: the current rate of automobile sales and the current rate in purchases of new homes?

Whenever unexpectedly sharp economic trends develop—either up or down — this seems to lead to a large amount of "circular reasoning." The air is full of it at this time.

It is being argued that residential building will stay up as long as general business conditions remain favorable—and yet the favorable level of general business is largely due to tne current high level of residential building.

Similarly, it is being argued that consumer spending will cause a further improvement in general business conditions—and yet isn't the current level of consumer spending the result rather than the cause of the high level of business activity? It is here where those economists and politicians go wrong who believe that all we have to do to keep business going up is to divert more purchasing power from business channels into the hands of the consumers.

Such circular reasoning—usually most in evidence when an economic move is nearing a climax—can play havoc if it is not recognized for what it really is: a dangerous form of self-deception.

Mission Accomplished?

Strong as the current wave of optimism is, it is significant that some of the economists who were among the first to recognize the strength of the initial 1954-1955 recovery are acquiring somewhat of a worried look. When Dr. Arthur Burns, the Chairman of the President's Council of Economic Advisers, recently was asked whether he was worried over the stock market outlook, he answered—perhaps a bit evasively, but nevertheless significantly — that it is his business to worry.

At least some of those who felt sure of a strong uplift early in 1955 are now beginning to ask how long the current upturn can be expected to continue without creating new, and perhaps more serious, adjustment problems.

Thus far we have had two postwar adjustment periods and both of them have been extremely mild.

There is a widespread belief that we are now once again squared away on an upturn in the business cycle that may well carry us not only through the rest of 1955 but through 1956 as well.

The reasoning behind this belief is that the two previous postwar recessions were sufficient each time to "clean up" existing maladjustments, such as excessive inventories and price maladjustments between farm and industrial prices, resulting from unsound farm price support policies.

It is true that the two postwar recessions cleaned up the maladjustments then visible at the economic surface. There remains considerable doubt, however, whether these experiences guarantee continuation of the same postwar pattern of several good years followed by a year of mild readjustments indefinitely, or whether we shall have to face more serious adjustment problems in the future.

Periodic Adjustments

No economy — regardless of whether it is free of controlled —can escape the need for periodic adjustments. As long as man has not conquered his ingenuity of getting into trouble, there will be mistakes, things will get out of whack, and somebody will have to pay the piper.

The most objectionable and cruel form of paying for such mistakes is through inflation — although inflation is the most effective way of "correcting" a debt structure that has become top-heavy.

Perhaps the real reason for the mildness of the two postwar recessions to date is to be found in the fact that they were preceded by an "invisible" recession in the form of the war and postwar price inflation that cleaned up the private debt structure of the economy.

By 1953, the private debt structure was more than twice what it was in 1945. Since then private indebtedness has risen at an even faster pace.

It is, of course, true that the economy — as represented by the Gross National Product—also has grown. But private indebtedness has risen at a faster clip.

This is important because the size and, even more the rate of increase in, private indebtedness largely determines the degree of vulnerability of an economy and both frequency and severity of periodic adjustments.

That is why the two postwar adjustments in 1948-1949 and 1953-1954 were surprisingly mild —and why the economy remains vulnerable to interruptions in its growth — now that total private indebtedness once again exceeds the Gross National Product and is rising rapidly.

The only choice in the future, therefore, would seem to be the use of inflationary panaceas for the purpose of hiding the need for subsequent adjustments or a policy of national honesty that would reject such deceit on the public.

And that should not even be regarded as a matter of "choice."

Bond Club of Chicago to Hold 42nd Field Day

CHICAGO, Ill.—The Bond Club of Chicago will hold its 42nd Annual Field Day on Friday, June 3, at the Knollwood Club, Lake Forest, Ill.

Featured will be a golf tournament (green fee $3 and caddy fee $3); horseshoes; and baseball, with Carl H. Ollman, Lee Higginson Corporation, captaining the "Municipal Marauders" against Jack Harris and the "Corporate Clouters." Donald Searles, Blyth & Co., Inc., and William Fuller, Wm. A. Fuller & Co., will be umpires for the ball game.

Luncheon will be served from 11:30 a.m. to 2:30 p.m. and dinner at 7:00 p.m. with a very fine entertainment program.

Members of the General Committee are Robert B. Walbert, Blyth & Co., Inc., Chairman; and Paul W. Fairchild, First Boston Corporation; David J. Harris, Fairman, Harris & Co., Inc., and Robert B. Whitaker, Reynolds & Co., Vice-Chairmen.

Other Committee members are:

Arrangements: F. Girard Schoettler, Wayne Hummer & Co., Chairman; Earl C. Glosser, Thomson & McKinnon; Chris J. Newpart, Merrill Lynch, Pierce, Fenner & Beane; Joseph A. Smole, First National Bank; and George R. Torrey, McCormick & Co.

Investment: William J. Sennott, Jr., H. M. Byllesby and Company, Incorporated, Chairman; Arthur E. Farrell, H. M. Byllesby and Company, Incorporated; George F. King, White, Weld & Co.; and Julian L. Meyer, Salomon Bros. & Hutzler.

Dividends: John H. Markham, Hornblower & Weeks, Chairman; Harvey H. Orndorff, McCormick & Co.; and Gordon L. Teach, A. C. Allyn & Co.

Golf: Sampson Rogers, Jr., McMaster Hutchinson & Co., Chairman; Andrew D. Buchan, Bacon, Whipple & Co.; Justin T. Ottens, Salomon Bros. & Hutzler; and Edward J. Redden, Halsey, Stuart & Co.

Trophies: J. Robert Doyle, Doyle, O'Connor & Co., Chairman; Robert M. Clar, Blunt Ellis & Simmons; Edward H. Liphardt, R. S. Dickson & Co.; and Charles M. Miller, Mullaney, Wells & Co.

Baseball: Robert L. Meyers, Wm. E. Pollock & Co., Chairman; Richard J. Leonard, Harriman Ripley & Co., Inc.; Blair A. Phillips, Jr., White-Phillips & Co., Inc.

Dinner: William M. Witter, Dean Witter & Co., Chairman; Gordon Bent, Bacon, Whipple & Co.; and William E. Fay, Jr., Smith, Barney & Co.

Entertainment: John F. Detmer, Blyth & Co., Inc., Chairman; James D. Casey, Jr., A. C. Allyn & Co.; William F. Hunter, Cruttenden & Co.; Robert A. Riley, Stern Bros. & Co.

Refreshments: Rowland H. Murray, Chairman; Henry W. Michels, Jr., Harris Trust & Savings Bank.

Jackley Inv. Co. Opens

(Special to The Financial Chronicle)

CHICAGO, Ill.—Jackley Investment Company is engaging in a securities business from offices at 7 South Dearborn Street. Officers are Winfield C. Jackley, President; Lawrence W. Jackley, Vice-President; and E. L. Jackley, Secretary-Treasurer.

Ralph Davis Opens

(Special to The Financial Chronicle)

GRAND JUNCTION, Colo.—Ralph M. Davis is conducting a securities business from offices at the Uranium Center.

With Wm. R. Staats Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—M. Kenneth Anderson has become associated with William R. Staats & Co., 111 Sutter Street.

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Outlook for Housing Market: 1955-60

the housing market is therefore faced with the unhappy fact that he does not really even know what has happened to the housing market in the past or what is happening at present. It is therefore small wonder that most housing forecasts are off-the-cuff guesses. Nor can we blame the home construction industry, if it sometimes appears to lose all perspective and decade after decade either overproduces or underproduces its market.

The Future of the Housing Market

Although the data with which we have to work is admittedly poor, I nevertheless feel that it is possible to take a logical approach to the future of the housing market, and come up with some reasonably reliable estimates of the housing demand which can be expected over the next five years. My first approach will be to mention some common misconceptions about housing demand in this country, and in this way get rid of some of the more obviously unreliable forecasts.

One comment which I frequently hear in discussions about the housing outlook is that we need 500,000 housing units to take care of demolitions or replacements alone. The argument usually runs something like this: There are today over 50 million housing units in the United States. If we assume the average lifetime of a unit to be 100 years, this would mean that each year for the next hundred years we must replace 500,000 units just to maintain the present housing stock without making any provision for the net increase in households.

If this argument were valid we would cetrainly have nothing to worry about in connection with the housing market. But unfortunately there are a number of things wrong with the argument. In the first place, the market for housing in the United States is essentially the **non-farm** housing market. Because of the long-term migration off the farm, the number of farm households is today just about equal to what it was in 1900. And in recent years, the number of farm families has actually been **declining**. There will, therefore, be practically no new demand in the future arising from replacement of that part of the housing stock which is located in farm areas. (There is, of course, a large demand for farm mortgage loans. But these are preponderantly business loans, not residential construction loans.) The **non-farm** housing stock numbers today about 45 million units. This would therefore give rise to a replacement demand, according to the argument cited, of 450,000 a year, instead of 500,000 a year. Even this, however, would ensure a very strong housing market in the years to come. But there are further errors in this approach.

The age of our housing stock is not distributed evenly. Of the 45 million non-farm housing stock, over 10 million is less than 10 years old and about 25 million is less than 30 years old. When we move back to houses over 75 years old, thus approaching the age when these houses might be expected to be retired, we find only a very small percentage of the total housing stock. Houses over 75 years old reflect the rate of housing starts between the Civil War and 1880 so that each year the number reaching retirement age is very small in terms of the present-day housing market. Even with the current large scale demolitions to make way for roads, commercial structures, and newer housing developments, I estimate that housing units are being retired from the housing stock at a rate not over 100,000 a year. The replacement demand in the United States today is thus probably about 100,000 units a year—not 500,000.

But not even this 100,000 units can be counted as a net addition to housing demand, because there has been throughout the present century a continued offset against replacements in the form of conversions of older structures from single to multi-unit dwellings. Conversions of single unit dwellings into multi-unit dwellings add to our housing stock just as the retirement of older homes subtracts from it. Throughout most of our history the addition to the housing stock through conversions has either equaled or exceeded the volume of retirements. During the war and postwar period, conversions have far exceeded replacements. In the years ahead, as the housing shortage disappears, conversions will of course fall markedly. But it is unlikely that they will fall much below replacements. A rough rule for the next five years is therefore that conversions will about equal replacements, so that neither conversions nor replacements need enter our calculations of housing demand.

With our task thus reduced to more manageable (but by no means simple) terms, let's proceed to an estimate of housing demand from 1955-60. The demand for dwelling units in the United States comes from three separate sources: First, newly formed families — especially married couples who desire to set up separate homes; second, the net increase in individuals or non-related groups who desire to set up separate homes; third, the undoubling of families or individuals who have previously been living as a subgroup in the same dwelling with another family or individuals.

When there is a net increase in occupied dwelling units, such an increase must have come from one or several of the sources I have mentioned. Either there are **new** married couples or individuals who want separate housing, or married couples or individuals are undoubling. Such a net increase in occupied dwelling units is called household formation, so that when the Census states that the rate of household formation in early 1954 was 600,000 a year, it means that the number of occupied dwelling units was rising during that period at 600,000 a year.

If we look at the whole period 1950-1954 we find that non-farm household formation averaged just slightly under 1,000,000 households a year. (You will recall that I have earlier mentioned that it is non-farm household formation which is significant for the housing market. I might here also call your attention to the fact that the official series on housing starts with which you are familiar similarly measures **non-farm** housing starts.) In other words, in the period 1950-54, there was a net increase in occupied non-farm dwelling units of just under 1,000,000 a year. Since non-farm housing starts averaged almost 1.2 million during this same period, the number of vacant units has been rising by at least 200,000 a year.

In the period 1955-1958, I estimate that non-farm household formation (i.e. the net increase in occupied dwelling units) will run about 850,000 a year. I won't trouble you with my detailed calculations, but let me just say that my estimate implies a small rise in the rate of new families being formed, a small rise in the rate of new individuals wishing to establish separate households, and an appreciable decline in the rate of undoubling.

Family Formation

Family formation is at present running at a relatively low rate reflecting the low birth rates of the mid-1930's. Although the group reaching marriageable age will increase slightly over the next few years, there will be no marked increase until 1959 or 1960. Undoubling in recent years has, of course, been proceeding at a very rapid rate. Of the almost one million households formed annually in the period 1950-54, about 280,000 arose through the establishment of separate households by families or individuals previously doubled up. Undoubling will not cease in the next few years, but it is likely to proceed at a much slower rate. The appreciable decline in undoubling will more than offset the small rise in new family and individual households, so that total household formation is likely to average only 850,000 a year.

In 1959 and 1960 we are likely to see an upward jump in family formation, reflecting the rise in birth rates in the late 1930's. But by this time most of the undoubling will have been completed. The drop in undoubling is again likely to exceed the rise in family formation, so that household formation will drop to 825,000. My estimates of household formation over the next five years are, therefore, about 850,000 a year from 1955-1958, and about 825,000 in 1959 and 1960.

It may be well at this point to comment briefly on the most recent Census estimate of household formation. You have undoubtedly all read in the papers during the past month that the Census estimates that household formation has dropped below 600,000. This has been taken as a measure of current housing demand, and grave concern has been expressed when the present 1.4 million housing start rate is compared with this estimate of household formation.

Let me remove some of this concern. In the first place, the 600,000 figure refers to the **total** household formation rate, not the **non-farm** rate. I estimate that, because of a net decline of farm households and an accompanying movement to non-farm areas, about 100,000 households should be added to the 600,000 figure in order to obtain **non-farm** household formation. In the second place, there was during the period when the Census made this estimate an unusual **doubling up** of families without a male head. This doubling up ran to 125,000 and therefore artifically reduced the total household formation figure by that amount. For these reasons, the 600,000 figure should not be taken as a reasonable estimate of current household formation. I estimate that household formation at present is running over 800,000 a year.

If we can count on a non-farm housing demand from 1955-60 of only 825,000-850,000 units a year, does this mean that non-farm residential construction must drop to this figure? Not necessarily, though it is cause for some pretty serious thinking. Residential construction can exceed the demand for homes as long as the vacancy ratio remains below the critical point. Although no one can say exactly what the critical ratio is, it is nevertheless obvious that if vacancies rise too high, rental properties will not yield a sufficient return and the building of such properties will decline. Similarly, if there is an undue rise in the inventory of unsold homes which a builder is forced to carry he will be discouraged from further ventures.

Non-Farm Household Formation per Year, 1955-60

	1950-54*	1955-58†	1959-60†
Net increase in non-farm primary families	540,000	575,000	616,000
Net undoubling of secondary families	60,000	20,000	----
Net undoubling of sub-families	75,000	----	----
Net incr. in non-farm primary individuals	145,000	153,000	159,000
Net undoubling of secondary individuals	160,000	100,000	50,000
	980,000	848,000	825,000

*Estimates based on Census data. †Forecast.

The Question of Vacancies

Although historical information on vacancies is scanty, there is evidence to indicate that a 5% vacancy ratio for the nation as a whole represents a well-balanced housing supply. As the national average rises above this point, some local housing markets will show surpluses, and construction will fall of in those areas. If the ratio continues to rise, more and more localities will move into the surplus classification, and the national volume of housing starts will begin to decline. If the decline occurs in time, and in an orderly fashion, a boom-bust situation will be avoided. If, however, builders and lenders are not sufficiently quick to sense the changing situation, a serious overbuilding may result with unfavorable results for the housing and mortgage lending industry and for the economy as a whole.

My own calculations, based on such Census data as is available, indicate that at the beginning of 1955 the vacancy ratio in the United States was at the normal point. That is, although there were some areas with an oversupply and some areas where housing was still rather tight, the national vacancy ratio was just about 5%. This year, however, we are building at a 1.4 million housing start rate. If my calculation of current household formation of 850,000 is correct, then—even making some allowance for seasonal dwelling construction and homes not offered for sale—we will add about 490,000 vacancies during 1955. The non-farm housing stock will also have grown, of course, but not as fast as vacancies so that the vacancy ratio at the end of this year will be about 5.8%.

Now, what if we continue to build at the present rate from now until 1960? The vacancy ratio is likely to rise to over 6.5% by the end of 1956, to almost 7.5% by the end of 1957, over 8% by the end of 1958, over 9% by the end of 1959, and 10% by the end of 1960. It should be emphasized that these vacancy ratios apply to dwelling units actually available for sale or rent. I have excluded seasonal units and units voluntarily held vacant. The figure of 10% in 1960 therefore indicates a fairly serious oversupply of housing. If we are able to avoid a general business downturn during the next five years, the rise to a 10% vacancy ratio would not in itself signal a crisis in the residential construction industry. It would, however, place the housing industry in an extremely vulnerable position, so that even a minor dip in general economic conditions could drop housing starts below 500,000 a year.

Conclusions

Now, what conclusions can be drawn from this analysis which will be helpful to mutual savings bankers and others interested in the housing industry?

(1) While the economy as a whole will be growing over the period 1955-1960, the residential construction industry is not likely to increase its output above the present rate. In fact, output above the one million housing start rate would appear to be sowing the seeds of future trouble.

(2) Government actions to stimulate demand above the one million housing start rate, **if not accompanied by positive steps to increase the rate of housing demolition**, are likely to lead to a boom-bust situation in the housing industry.

(3) A rate of over one million housing starts during the period 1955-60 would be supportable if retirement of over-age or obsolete housing could be hastened. No action has yet been taken, however, on a scale which would appreciably raise housing demand.

There are many things which could be done. Municipal health regulations could be enforced so as to make unprofitable the operation of dangerous and unsanitary rental units. Condemnation of slum areas could be speeded up in conjunction with improved highway programs and provision for larger park areas. Builders could concentrate on the type of low cost housing which competes most directly with older residential structures. Municipalities and private companies could improve transportation facilities to suburban areas so as further to encourage the movement out of the crowded central city. In short, the hope and justification for a continued high rate of housing starts in this country must depend more on measures directly attacking the slums than on fancier no-down payment mortgages. It is important to make home financing available to all those who are seriously interested in raising their living standards, but I do not believe that housing standards in the United States can be permanently raised simply by keeping the down payment on a house lower than the down payment on a television set.

(4) From the standpoint of mortgage lenders, the leveling off and probable decline in housing starts over the period 1955-60 calls for some serious thinking about alternative outlets for investable funds. I have pointed out earlier in my talk that a forecast of housing starts is not the same thing as a forecast of the demand for mortgage money. But it should be fairly clear that the mortgage market will grow increasingly competitive over the years to come. Our institutional lenders have not lacked flexibility and initiative in the past. I am confident that they will develop new outlets in the future. In thinking about the application to your own individual bank, however, I hope that you will not conclude that these outlets will spring forth by themselves. It is certainly not too early to establish a committee with the specific task of planning future shifts in the investment portfolio.

(5) I trust that you will not interpret my remarks today as indicating a lack of confidence in the outlook for housing and mortgage lending. A million housing starts a year makes a big industry. And there is a whole repair and modernization job to be added. Furthermore, by 1965 we are likely to see a tremendous jump in housing demand as the postwar babies reach marriageable age.

I do believe, however, that neither the housing industry nor the mortgage lending industry will be served in the long run by an over-estimation of housing demand during the next five years. If we can avoid government stimulation of unsound mortgage terms, if we can encourage a higher rate of slum clearance, if we can look ahead far enough to intelligently plan new outlets for investable funds—the typical construction boom-bust cycle can be averted and we will enter the decade of the 1960's in sound shape, ready to build homes on sound foundations rather than on failures and foreclosures.

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As We See It

seats in Congress) did not have to face an election campaign with President Eisenhower leading the opposition ticket.

This situation—as familiar as it is in some of its aspects—seems to us this year to carry some discouraging implications. Take the Democratic desire that "Ike" eliminate himself next year, for example. Plainly this wish is not grounded on any deep, widespread or basic dislike of the programs and policies which President Eisenhower has advocated, and for the most part brought to successful fruition with the help of the Democratic party. Of course, there are specific programs which some individual Democrats dislike. Possibly all of President Eisenhower's policies would not please any Democrat. But this could be said of any Democratic President in recent history. Certain it seems to us that what President Eisenhower has done to date comes more nearly meeting the approval of the Democrats as a whole than did the programs of President Roosevelt in 1936 or 1940.

Naturally there has been persistent effort on the part of professional politicians in the Democratic party to find and develop issues—that is find fault with this, that or the other project of the Eisenhower Administration, make serious, even wild charges, and do what they could to give the public the impression that they could find no good in any of it. But those familiar with party strategy and tactics in this country know well enough how to take all this. We are almost ready to venture a statement that the Eisenhower program originating with some Democratic leader would have had more extensive and more enthusiastic support among the members of the Democratic party than many of those of President Truman and quite possibly of President Roosevelt. They certainly would have been better received in the Democratic party than they were in the Republican party.

The Republican party, for its part, can hardly say that their ardent desire for "Ike" to run again is founded upon any particular interest in his public policies. They have as a party been lukewarm—or upon occasion even hostile—toward almost everything that the President has brought forward. It is common observation that much of the program that the President has been able to bring to a successful conclusion would have ended in failure if left to the cooperation of his party. There is, of course, a large and powerful wing of the party who wish to have nothing to do with General Eisenhower—except, of course, to be helped by him at election time. The support he has been able to summon among the members of his own party, has often been clearly a product of the politicians' desire to be on the winning side.

To put all this in a nutshell, the Democratic party wants to see "Ike" retire to Gettysburg simply and solely because it wants its own members in places of influence and patronage. The Republicans want him to be a candidate to replace himself (and virtually all of them do notwithstanding some talk to the contrary) simply and solely because they want their own organization in control of the Federal government and of as many of the other governments as may be. What either party wants to do or would do were it in power is not much in the public eye and seems to be regarded as a matter of secondary importance.

The blame for such a situation can hardly be placed upon the President. He seems to be a "natural vote getter," and that, after all, is what the politicians always are seeking. He has made an effort to get American politics on a rather different level. He repeatedly warned his party members when the 1954 campaigns were approaching that they needed an accomplished program—his program, of course — to place before the people as the basis for their claim for support. He got much, although not all, of that program. Other matters were much more in the public eye, however, during the campaign, and in the end the President yielded to pressure and put his personality upon the hustings. Opinions still differ as to the interpretation to be placed upon the 1954 returns, but it would appear certain that the results did not turn upon plain issues or the record of the Congress under Republican leadership.

It will be understood, of course, that these remarks are not intended as any defense of the Eisenhower program. The fact is that we think that record leaves much to be desired. What disturbs us is the fact that policies and platforms seem to play such an insignificant role in determining political results in this country—except, of course, when popular prejudice is violated or when large elements in the population are granted largesse in amounts that would have been utterly incredible only a few short decades ago. Were the voters rational beings and were the politicians a different breed, the record of the Republican party under General Eisenhower would be the controlling issue next year—that and the corresponding program proposed by the Democratic party.

We think it unfortunate when a national election turns upon the personal attractiveness of any individual, regardless of who it is.

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The Outlook for Business as It Affects the Petroleum Industry

more on the lack of the supply than on the estimate of the consumers' requirements. We anticipate a continuation in the drop in the yield of residual out of a barrel of crude oil and, although we find from the reports given to the Texas Railroad Commission that importers expect to increase their residual takings from the Caribbean zone to some extent, the total new supply available during the year will not tend to encourage increased consumption.

At this point, having given you my ideas of the business activity for the year and how it would be reflected in the sales of petroleum products, I could sit down and conscientiously feel that I had done the job assigned to me. But I think I would be cheating you to some extent. Therefore, in the next part of my talk I want to give you a much broader look at the economic and oil developments in the United States.

For this purpose I am going to look back to where we were at the close of World War II. I am using the year 1946 as a starting point, and then we will look ahead four years from now to the year 1959. The reason I am choosing 1959 is because those are the figures we have just developed in our company. We periodically make five-year forecasts which include the current year and the coming four years.

Let us go back now to the Gross National Product, which is the sum value of all the goods and services produced in the United States and which is probably the most generally used of all indices of the business and economic health of the United States. Using 1946 as a base, by 1959 the Gross National Product will double, in our opinion. Some of this increase, which is expressed in dollars, has been brought about by the inflation which took place between the years 1946 and 1953. If we discount for this inflation to get a measure of the work done and the physical goods produced measured in this Gross National Product figure, then we would say that probably the increase from 1946 to 1959, a span of 13 years, would be in the order of 40%. In other words, that would be the increase if you related everything to a dollar with constant purchasing power. That indicates, therefore, that the rate of increase was somewhat less than 3% per year. Coming now to the consumers' expenditures, this increase would, in constant dollars, be slightly less, maybe some 33%, whereas the actual figures expressed in the dollars of the day would show an increase of about 84%.

Our people believe there will be little change in the cost of living during the next four years, but that the wholesale price index, which has been somewhat depressed due principally to the farm section of this index, may come up somewhat.

Looking now at the Federal Reserve Board's Index of Physical Production in factories or mines, we estimate that by 1959 the increase will be 70%. This, of course, does not have to be deflated, as the index is supposed to represent physical items produced or work done and is not expressed in dollars. So we see then that during the 13-year span we believe that output of goods from factories will increase 70%, but the indices of total consumer spending and Gross National Product will not increase quite so rapidly. The differences represent expenditures for foods, utilities and services of all kinds which will increase much less.

When we look at the number of households which will be in existence, which is a physical measure, we find that the increase will probably be in the order of 35%. The number of persons gainfully employed, however, may increase by only 17%, which is a much rate than many people have been thinking. Most of these people will have an income almost double that which they received back in 1946. On the other hand, the cost of living probably will have increased only 38%, which means that their standard of living, i.e., their purchasing power, will increase tremendously. With twice as many dollars to spend and an increase in the prices of only 38%, this will leave them with an increased buying ability of 43% with which to increase their standard of living or enjoy the things they did not enjoy back in 1946 at the close of World War. II.

The cost of goods bought by business, which is better measured by the wholesale price index, will increase in the neighborhood of 50%, or a somewhat higher rate of increase than the cost of living. It is interesting to note at this juncture how all of this is going to affect the people who buy equipment which consumes our products. It looks now as if the number of automotive vehicles is likely to double its 1946 total and this would be true both for total vehicles and passenger cars. On the other hand, it is astonishing to see that there is a good probability there will be three and a half times as many oil-heated homes as there were in 1946. This, even though gas has come in very rapidly since the end of World War II. We estimate there will be about one-third more households in existence, which is the basis of our estimates of oil burners and automobiles in use. But, as you can readily see from the numbers of automobiles and particularly passenger cars, we estimate that they increase more rapidly than the number of households. This means that there will be a great many more two-car families than there were in 1946. Of course, to compare with a year just after World War II, during which automobiles could not be purchased, is unfair, but those are the figures nevertheless. The resulting growth is somewhat abnormal because of this.

The same thing may be said for the comparison of the number of burners at the end of World War II with 1959, but it does show that we feel that there will be a continuing growth between now and 1959. With twice as many vehicles we expect that gasoline consumption will be almost double what it was in 1946 and with three and a half times as many burners to supply, we feel that oil consumption for these burners will be almost three times as great. The lower increase in consumption reflects the greater efficiency of the new burners and the relatively smaller homes built since the end of World War II.

For all products, we estimate that the increase will be approximately 90%. When you consider this with our estimate of a 70% increase in the production of all kinds of manufactured goods, you can see that we believe petroleum will be increasing substantially ahead of the general trend of manufactures.

That is a general panoramic view of the principal forces and influences that will be behind our increased business. I do not guarantee that these things will come out just the way we visualize them. The fact is, they rarely do come out that way. But sometimes we are fortunate enough to hit some idea pretty close to the actual. There are so many things that can happen and, while you cannot take our estimates as gospel, if you look down all of the items we have tried to encompass, I am sure you will get a feel of the tremendous growth factors in our whole economy.

I am not a natural-born optimist, yet as I look at what is going on and the great potentialities there are in this country, I cannot help but feel that we will go ahead at a rate somewhat close to that which we have indicated. Our past growth has been far greater than the early forecasters contemplated.

The first attempt at a comprehensive petroleum forecast that I know of was made by a Committee of the American Petroleum Institute and published in 1925. This report was often referred to as the Committee of Eleven. For 1955 they forecast a crude requirement of about 4,250,000 barrels a day. The development of natural gas liquids as a raw material was not given much weight. Taking that into consideration, the actual demand this year will be almost double that earlier forecast. They went ahead to 1975 in their estimates and for that year they showed a maximum demand of 4,900,000 barrels a day for crude oil. The probabilities are that the product demands will be at least two and a half times that, according to our latest estimates.

I was connected with a Committee that made a report in 1945 trying to look ahead for only a 20-year period. We came up with an estimate of the domestic demand for 1965 of about 5,900,000 barrels a day for all products. We are now about half through that period and demand this year will exceed the 1965 estimate by 37%. It is true that this estimate was made in a period of war and when the postwar developments were most uncertain.

The only purpose in bringing up these forecasts is to stress the fact that we have been going ahead much faster than people could possibly visualize when they tried to look a long time ahead in the difficult job of forecasting the petroleum demands.

All of this seems to me to dramatize the fact that we have been making great strides and that horizons we see only dimly now will provide more jobs, better living and more goods than ever before for the benefit of our own people and mankind generally throughout the world.

Cosgrove Miller Branch

DEPOSIT, N. Y.—Cosgrove, Miller & Whitehead, members of the New York Stock Exchange, have opened a branch office in the Farmers National Bank Building under the direction of Harry M. Sheridan.

Railroad Securities

Chicago & North Western

As has been noted before in this column, the last six months have witnessed a sharp increase in speculative interest in rail stocks, as contrasted with the stress there had been on investment grade equities during the earlier stages of the advance. While this ardor cooled somewhat last week, when rail stocks found it difficult to hold their gains in the face of pressure on other sections of the list, a number of the lower priced issues continued to attract a considerable following. Among these was Chicago & North Western. While the common closed last week somewhat below the year's high it was still selling at almost double last year's low. There has been some talk of an effort by minority holders to get representation on the Board and this may at least in part account for the increased interest in the shares. Certainly near term earnings and dividend potentialities do not appear to justify the price recovery.

Chicago & North Western has had a particularly dreary record in the years since the end of World War II. In the period 1947-1954, inclusive, there have been only three years in which there have been any earnings reported on the common stock, even before allowing for sinking and other reserve funds. After allowing for such funds the highest earnings available for the common stock amounted to $2.93 a share—that was in 1948. Moreover, throughout these years the company consistently has had one of the highest transportation ratios and one of the lowest profit margins among the major class I carriers. This inability to show any real earning power reflects a number of adverse conditions, some of which appear to be of a permanent nature. The passenger service, including a substantial commuter business, is costly. The company operates a large amount of low density branch lines which it has had difficulty in abandoning. Finally, the road has a short average haul on freight, and this results in inordinately heavy terminal costs, particularly with present rate divisions.

While the over-all record since the war has been poor, last year was a particularly unhappy one for the road. The road failed even to cover its fixed charges in 1954, charges that had been pared drastically in reorganization and had been assumed to be virtually depression proof. Moreover, the management decided against the payment of any income bond interest this year. Thus, there has accumulated arrears of somewhat more than $3 million which must be cleared up, in addition to current interest in a similar amount, before there will be anything available for either the preferred or common stocks.

For the opening quarter the road reported considerable improvement over the like 1954 interim. Gross revenues increased only 4% but the transportation ratio was cut 2.5 points (it was still high at 47.1%) and other expenses were held under strict control. Thus, for the seasonally dull period the deficit was cut to roundly $2 million or about 41% less than the loss a year earlier. Further relative improvement is looked for during the seasonally good months that lie ahead (iron ore in particular is expected to rebound sharply) but even at that it is estimated that there will again be no earnings available for the stock. At best it seems possible, but by no means certain, that earnings this year will be sufficient to allow liquidation of the income bond interest arrears. Eventually the road's status may be improved by coordination of some services with the St. Paul, which are now being studied, or by an increase in the division of rates with western connections. Either of these, however, will at best be long-term developments and certainly will not influence 1955 results.

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On Issuing Income Debentures To Retire Preferred Stock

national tax policy places a premium on debt financing. But the question is sometimes raised as to whether the ICC, as an arm of Congress, is acting appropriately in approving recapitalizations which reduce Government revenues.

Railroad management cannot be criticized for effectuating sound business judgment in an effort to increase net income. Rather, management would be subject to criticism if it did not diligently pursue such a policy. As a matter of fact, with respect to the four reorganized carriers, the shift to debentures is nothing more than an effort to regain a portion of the tax shelter enjoyed before bankruptcy.

Tax Saving Not Immoral

There is nothing immoral in trying to save on taxes, nor can the Commission be considered as acting contrary to the public interest in sanctioning and supporting such a policy. In this connection, the approach of several State public utility commissions to rate regulation of operating units in the Bell Telephone System is instructive. Because of the difference in the resulting tax load, some commissions have based rates of return on suitable proportions of debt in the capital structure, although such projected debt ratios have differed from those actually existing.

In my opening remarks, I mentioned that, in four instances, the Commission approved the issuance of income debentures by carriers which had previously experienced reorganization under Section 77 of the Bankruptcy Act. Now, in those proceedings, the Commission sought to establish new, sound financial structures and levels of capital service requirements which would stand the test of time. So the question which now presents itself is this: "Has the Commission, in authorizing these recent debenture issues, backtracked on principles of sound finance which it enunciated in the reorganization process?"

In the formulation of plans of reorganization, the Commission attempted to set fixed charges at a level which could be serviced with adequate coverage in the worst years; the total of fixed and contingent charges—which interests us—was set at a level where income bondholders could reasonably expect a return in average normal years. In each individual case, these estimates were reached after a consideration of past and present earnings within the context of the carrier's general economic position.

Therefore, to answer the question which has been posed, we must compare relevant financial data. It is here that we refer to Table I.

Pro forma fixed and contingent requirements of the Rock Island and Erie, based on information filed by the applicants, do not vary in any substantial degree from the comparative levels of charges approved by the Commission some 15 years ago. With respect to the Chicago & Eastern Illinois and the Western Pacific, however, pro forma requirements are at a somewhat higher level.

In quest of further enlightenment, we proceed to Table II, which presents "Earnings Available for Interest," a classification used by the Commission in reorganization proceedings to establish limits of capitalization. For each of the four reorganized carriers, there is set forth the amount of such "earnings" in a "Comparative Trusteeship Year," near or about the time the Commission proposed the new capitalization. There also appear results for a "Selected Low Post-War Year," as well as for 1954.

Table II, as you will notice, also expresses these "earnings" on a pre-tax basis. From 1936 through 1940, Federal corporate income tax rates were relatively low, ranging between 15% and 24%. However, the four reorganized carriers had no Federal income tax liability during the "Comparative Trusteeship Year." It may also be observed that some carriers had a tax credit in 1954.

Accordingly, to evaluate performance in a more consistent fashion, it was deemed appropriate to eliminate the tax variable and compute "earnings" on a pretax basis. Furthermore, interest is a deductible charge in calculating net income subject to taxes, and the servicing of interest is not directly impaired by the need for paying taxes on the balance remaining. Therefore, pre-tax figures measure more realistically the extent of protection afforded the service of debt, besides assuring a more consistent body of data for comparison.

Inspecting the Western Pacific figures, it is evident that the pro forma level of fixed and contingent requirements is far below the amount of "earnings" which would be forthcoming in what we would now regard as an average normal year. The margin is not nearly so satisfactory in the case of the Chicago & Eastern Illinois, but there seems to be little doubt that the level of new requirements here does not exceed the earnings to be anticipated in a normal year, as we would now visualize it. Furthermore, in this particular instance, it should be noted that a reduction in interest charges, resulting from the conversion of the prior-ranking General Mortgage Income Bonds, is currently in process. In passing, it may also be observed that both the Rock Island and Western Pacific completely eliminated the General Mortgage Income Bonds issued in reorganization, and that the Chicago & Eastern Illinois and the Erie have effected reductions in the area of 20%.

We might also note that the Commission, in approving the issuance of the Nickel Plate income debentures, found it "apparent that, under normal or even somewhat subnormal operating conditions, the applicant's income should be sufficient to meet contingent interest charges. . . ." With respect to the authorization of the Illinois Central debentures, the coverage is so ample that a statistical test is superfluous.

In approving these debenture issues, therefore, it is evident that the Commission has conformed to principles of sound finance and precedents of long standing.

Solving the Question of Stockholder Control

Substitution of debentures for preferred stock also affects control. The preferred shares being retired had voting rights which gave them a voice in the operation of the property along with the common stockholders. Assuming the preferred retirements are completely effectuated, control of the carriers then rests with the common, and the equity base is much narrower.

In the most recent Missouri Pacific decision, Commissioner Mahaffie, in a concurring opinion, expressed dissatisfaction that the new common stockholders, with a relatively small equity in the property, would come into control. This thin equity-control combination, he regarded as unsound. It is desirable, therefore, to review our six cases to determine whether the same criticism is merited.

If you will turn to Table III, Part I, you may note that only in the case of the Chicago & Eastern Illinois did there exist anything like the possibility of control of the road's policies by the senior equity owners. But while this particular tabulation portrays the division of power between senior and common stockholders, it sheds no light on the issue of control as related to the size of the equity base.

Part II, however, gives us some information on the proportion of *Capitalization* represented by capital stock, both before and after debenture issuance. The extreme

TABLE I*

	Fixed & Contingent Interest, Sinking Fund & Capital Fund Requirements	Fixed & Contingent Interest Requirements Only
Rock Island		
Plan of Reorganization	$7,587,000	$5,373,000
Pro Forma, to reflect issuance of maximum amount of new income debentures	7,423,000	5,623,000
Chicago & Eastern Illinois		
Plan of Reorganization	1,643,000	1,223,000
Pro Forma, to reflect issuance of maximum amount of new income debentures	2,687,000	2,308,000
Erie		
Plan of Reorganization	10,248,000	7,955,000
Pro Forma, to reflect issuance of maximum amount of new income debentures	11,835,000	8,895,000
Western Pacific		
Plan of Reorganization	2,055,000	1,449,000
Pro Forma, to reflect issuance of maximum amount of new income debentures	3,369,000	2,145,000

*See Appendix for explanatory data.

TABLE II*

Earnings Available for Interest

	After Federal Income Tax Liability	Excluding Federal Income Tax Debit or Credit
Rock Island		
Comparative Trusteeship Year (1940)	$5,997,000	$5,997,000
Selected Low Postwar Year (1951)	17,721,000	26,488,000
1954	21,440,000	24,677,000
Chicago & Eastern Illinois		
Comparative Trusteeship Year (1939)	983,000	933,000
Selected Low Postwar Year (1949)	1,212,000	1,174,000
1954	4,084,000	3,296,000
Erie		
Comparative Trusteeship Year (1940)	12,523,000	12,523,000
Selected Low Postwar Year (1947)	13,230,000	15,907,000
1954	13,326,000	9,411,000
Western Pacific		
Comparative Trusteeship Year (1939)	1,385,000	1,385,000
Selected Low Postwar Year (1948)	4,277,000	6,967,000
1954	5,628,000	6,815,000

*See Appendix for explanatory data.

TABLE III

I

Voting Rights of Preferred Stocks

Chicago & Eastern Illinois (Class A stock) — Represents approximately 48% of voting power of all classes of stock. One vote per share, cumulative voting rights. Two-thirds consent, voting as a class, also required in connection with amendment, alteration or repeal of important restrictive provisions in certificate of incorporation and by-laws.

Rock Island — Represented approximately 31% of voting power of common and preferred. One vote per share, cumulative voting rights.

Erie — Entitled to a 20% representation on Board of Directors. One vote per share.

Western Pacific — Represented approximately 27% of the voting power of preferred and common. One vote per share, cumulative voting rights.

Nickel Plate — Represented 14% of voting power of common and preferred. One vote per share, cumulative voting rights.

Illinois Central — Represented 12% of voting power of common and preferred. One vote per share.

II

Equity Capitalization Ratios

	Total Preferred & Common: Reorganization Plan	Total Preferred & Common: Before Income Deb. Issuance	†Pro Forma	‡Pro Forma, Incl. Surplus
Rock Island	64%	68%	46%	61%
Chi. & Eastern Ill.	56	47	27	49
Erie	44	41	29	42
Western Pacific	58	65	34	57
Nickel Plate	--	38	21	50
Illinois Central	--	45	40	64

†Assuming maximum issuance of debentures. ‡Per cent of cap [illegible] tructure represented by common stock and surplus, assuming maximu[illegible] ance of debentures.

right-hand column also gives the proportion of *capital structure* represented by equity. In effect, the last column capitalizes surplus.

Using a strict capitalization ratio approach (cited by the Commission in its reports), it would appear that control of the Chicago & Eastern Illinois, the Erie and the Nickel Plate—upon consummation of their substitutions—rests on a very thin equity. However, throwing the surplus account into capitalization—the practice in investment circles—shows a much improved condition.

It is often stated that the ability to meet interest charges is essentially a question of earning capacity of the corporation; that it is not primarily a matter of how much capital investment or property is represented by debt obligations and how much by stock. In other words, if a company's earning capacity is poor, capitalization with only 20% debt is more dangerous than one with 65% debt, where coverage is ample. This is undoubtedly true. But in the case of the reorganized carriers, we must recall that the new capitalizations, for the most part, were based on earning power rather than property account—so that this generalization loses some significance here. We may conclude, nevertheless, that the new capital structures resulting from the substitution of debentures for preferred stock cannot be classified as unsound.

The monetary benefits accruing to the carriers and the common stockholders from the substitution of income debentures for preferred stock are substantial. Important savings will aid the income account. Hypothetically, this should also improve the prospects for common stock financing. But, query: Would not new equity financing by these carriers undo the prospective benefits which have impelled the substitutions?

One other collateral comment may be of interest. Numerous corporate investors were holders of some of the preferred shares which have been or are being retired. It is doubtful whether such investors will own the new debt issues. While these debentures are advantageous to the issuers from an income tax point of view, there is no similar benefit to the corporate investor. The reason is simple. Corporate investors are attracted to preferred shares by virtue of the 85% exemption on intercorporate dividends. Interest income does not offer the same advantage. Thus, a partial shift in holders is taking place. I mention this point merely because it may be of interest to those who are students of the investment market.

APPENDIX

TABLE I

The first column is a classification utilized by the I. C. C. in opinions promulgating plans of reorganization. It excludes Rental for Leased Lines and Amortization of Discount on Funded Debt. These requirements offset "Earnings Available for Interest," another classification which guided the Commission in establishing new levels of debt and total capitalizations, and levels of charges. To assure a more homogeneous body of data for purpose of comparison, pro forma requirements have been computed in like fashion.

ROCK ISLAND—Plan of reorganization data represented amounts tabulated by the Commission in its supplemental report dated 4-6-42. Included in total requirements are an additions and betterments fund of $1.6 million and $600,000 of sinking funds. In its original report of 10-31-40, the Commission made a prospective normal year forecast of earnings available for interest of somewhat more than $11,000,000.

Pro forma total requirements include $1,800,000 sinking funds, no a & b fund.

CHICAGO & EASTERN ILLINOIS — Total requirements, under plan of reorganization, include $150,000 of sinking funds and a $270,000 capital fund, based on 1938 operations. Date of original Commission report was 11-4-38.

Pro forma total requirements include a capital fund of $188,000, sinking funds of $150,000 and increments in special funds of $41,000. Data also adjusted to include interest on $990,000 first mortgage 3¾s 1985, sold toward the close of 1954. Sinking fund on new income debentures excluded, such fund not becoming operative until retirement of first mortgage obligations, or 1986, whichever earlier.

ERIE—Total requirements, under plan of reorganization, include a capital fund of $1,700,000 and a sinking fund of $563,000. Date of modified Commission report was 7-8-40.

Pro forma total requirements include a capital fund of almost $1,800,000 and sinking funds of almost $1,200,000. The latter includes a $400,000 sinking fund on the new income debentures.

WESTERN PACIFIC—Plan of reorganization data represent amounts tabulated by the Commission in its second modified report, dated 9-19-39. Included is a capital fund of $500,000 and a sinking fund of $106,000.

Pro forma total requirements include a capital fund of $504,000 (not subject to reduction by charges to depreciation of road) and $720,000 sinking funds.

TABLE II

Although 1946 was the lowest post-war year for the Chicago & Eastern Illinois and the Erie, this year was excluded because of the adverse impact of industrial strikes, which particularly affected these carriers.

Earnings available for interest in comparative trusteeship years are computed without deduction of depreciation of road and structure as an operating expense; this imparts a favorable bias to these results, when comparison is made with current operations. Starting in 1943, the carriers included such depreciation in operating expense. However, where permitted under charter or bond indentures, such depreciation has also served to diminish or eliminate capital fund appropriations, which requirement appears as a "charge" against income.

Phila. Inv. Women Elect New Officers

PHILADELPHIA, Pa. — Helen A. Schnetke of Raffel & Co., was re-elected President of the Investment Women's Club of Philadelphia at the Annual Election Dinner Meeting held May 16 in the Barclay Hotel.

Other officers for the 1955-56 season are—Margaret J. Devine of Harrison & Co., elected Vice-President—Dolores A. Dougherty of Paul & Lynch elected Secretary—Daisy M. Larson of the National Association of Securities Dealers, re-elected Treasurer.

Directors elected for the new season are: A. Lucille Farrell of H. G. Kuch & Co., Entertainment Chairman; Catherine V. Mais of E. W. Clark & Co., Educational Chairman; Helen M. Holzman of Associated Advisors Management Corp., Membership Chairman; and Betty Barber of Butcher & Sherrerd, Publicity Chairman.

The Club which recently celebrated its 25th Anniversary has a membership of about 150 women, all of whom are associated with investment banking houses, brokerage firms and banks.

Joins Paine, Webber

(Special to The Financial Chronicle)

PASADENA, Calif.—Forrest F. Cory has joined the staff of Paine, Webber, Jackson & Curtis, 50 North Garfield Avenue.

With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Clarence E. Shurtless is now affiliated with Mutual Fund Associates, 444 Montgomery Street. Mr. Shurtless was previously with Consolidated Investments, Inc.

Schwabacher Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—George H. Klein has joined the staff of Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

Continued from first page

Factors Affecting Treasury Financing

Before World War I the public debt amounted to $1 billion. Debt expansion to $26 billion during World War I was followed by debt reduction out of budget surplus during the 20's. Following on the heels of a trebling of the debt during the 30's—from $16 billion to $48 billion — the debt rose spectacularly during World War II and stood at $260 billion at the end of 1946. Post-World War II debt reduction out of budget surplus was the only $8 billion, and then the expanded defense program plunged us into deficit financing again so that the debt at the present time is up to about $277 billion.

There are many ways of looking at the public debt and its burden. The debt now amounts to almost $1,700 per person. The per capita debt burden has actually declined slightly during the last six years since the population has increased a little faster than the debt. By comparison, the per capita debt amounted to $1,832 at the end of 1946.

In terms of national income, the debt picture has improved considerably since the end of World War II. At the end of 1946, the $260 billion public debt was a third larger than our national income of about $190 billion. Now, national income has grown to about $310 billion, so that our $277 billion national debt is equal to only 89% of national income. One of the factors in this reduced ratio of debt to income, unfortunately, doesn't suggest a real improvement at all. It reflects the inflation of the earlier postwar years which brought about a significant decline in the purchasing power of the dollar. A large share of the change, however, represents the growing productivity of our Nation in real terms —the increased ability to produce more and more houses, industrial plants, highways, schools, cars, TV sets, etc. In this way we can grow up to the debt so that even though the dollar amount of debt is not declining as we might wish, the debt still becomes somewhat less burdensome.

The debt may be looked at in another way too—in relation to the other kinds of debt in the United States. At the present time the total debts in the United States that we owe each other—individuals, businesses, and all branches of government—amount to about $700 billion, with the Federal Government accounting for 40% of the total. Although the Federal debt is a smaller proportion of the total debt than it was at the end of World War II, it is nevertheless much larger than in 1939 when Federal debt accounted for less than one-fourth of the total debt of the country. This increase underscores the importance of Treasury debt management decisions in their effect not only on government finance itself but also on the capital markets and the economy of the whole country.

This $277 billion public debt splits conveniently into two parts. One of those parts is non-marketable—$116 billion—covering such things as savings bonds and special issues to the government's social security and other trust funds. The remaining $161 billion is marketable, although in our current thinking we also include here the Treasury savings notes, since they are now much like maturing short-term marketables. The Treasury has been working during the last two years toward a better structure of the public debt so that less of the debt comes due within one year and more of it is in the hands of real savers in the over-5-year category. At the present time, $62½ billion of this $161 billion segment of the debt comes due or is first callable within 1 year; $41 billion of it is in the 1-5 year area; and $57½ billion runs over 5 years to maturity. These figures are quite different than they were in December, 1953. There has been a reduction of almost $20 billion in the under-1-year debt, an increase of $5 billion in the 1-5 year debt, and an increase of $15 billion in the over-5-year debt.

That means that the average length of the marketable debt to its first call date is now around 4⅔ years as compared to an average length of 3⅔ years a year and a half ago. Despite this progress, the debt is still shorter than it was at the time of the Federal Reserve-Treasury accord in March 1951, and much shorter than at any time during the preceding decade. Most of the Treasury debt extension during the last year and a half has been reflected in an increase in average length of commercial bank portfolios. The commercial banks' appetite for extending their maturities last year has brought their average length of government holdings up from 2½ years to 4½ years. Until the recent 3% bond issue, savings banks and life insurance companies continued to show a declining average length of portfolios.

About $227½ billion of the $277 billion public debt is held outside of the government's own investment accounts, such as social security and veterans' insurance. That was an increase of $4½ billion over a year ago, which in turn was $4½ billion above April, 1953. Commercial banks hold $67½ billion of that debt, down somewhat from the $70 billion peak reached last fall but still above a year ago. On the other hand, Federal Reserve holdings are down from a year ago.

Nonbank investors now hold $136½ billion of the debt, which is close to their all-time peak. During the last year or two, the liquidation of government securities held by insurance companies and mutual savings banks has been almost exactly offset by a pick-up in pension funds—largely state and local Government funds. Most of the decline in individuals' holdings of F and G bonds and marketable securities has been offset by the continued rapid expansion of the Series E and H bond program.

Series E and H bonds continue to be the best vehicle the Treasury has for achieving a widespread distribution of the debt throughout the country and for working along with the Nation's financial institutions in encouraging habits of thrift. It is expected that the fiscal year ending June 30 will show E and H bond sales of about $5¼ billion. Not only will this be the best year since the end of war financing, it also means that the E and H program will produce about $¾ of a billion of cash toward Treasury financing needs rather than being a drain on the Treasury as it was not so many years ago.

Constructive Side of the National Debt

Our national debt is too large and we would like to reduce it if we could. Yet there is nothing inherently wrong with debt if it is prudently incurred and wisely used for constructive purposes. Even our national debt has its constructive side. It is a liability on the national balance sheet but it is an asset to the many many citizens of our country that either own a small share of it directly or have an interest in it through some savings plan or through a public or private insurance or pension plan.

Last year the Treasury paid out $1.9 billion of public debt interest to individuals, including $1.1 billion of interest accruals which went to increase the value of E bonds. In addition, we paid $1.3 billion interest to government investment accounts — largely our social security and unemployment trust funds. We paid $0.6 billion to mutual savings banks and insurance companies. Many additional millions are paid to charitable and college endowment funds, to pension funds, and many other types of holders.

This is one of the constructve sides of our debt. These interest dollars we are paying out are helping to provide jobs. The payments that we make to savings banks and to individuals directly, including E bond interest, are especially helpful in encouraging habits of thrift and helping our people provide for the future. The payments we make to pension plans, insurance companies and our own government trust funds are helping our citizens live and plan for the future with less fear of unemployment or being unable to work as they get older.

We can reduce the public debt safely as private enterprise takes over more of the functions now performed by the government. In the meantime, the way we manage the debt can either emphasize its constructive side or it can permit the debt to become a destructive force working toward inflation or deflation. If we allow our national debt to pile up too much in very short maturities it can become a powerful force tending to undermine the value of the dollar. On the other hand, if we reduce the volume of very short debt and encourage the widespread ownership of government securities, our national debt can be a constructive influence in our economy.

Sound debt management is essential to the maintenance of a sound, stable dollar, and to the establishment of conditions that will encourage dynamic long-term growth of our economy. Debt management must take into consideration the fiscal position of the government—whether we are operating at a surplus or a deficit. It must consider the condition of business and the desirability of encouraging or discouraging the use of bank credit in line with the broad monetary objectives of the Federal Reserve authorities. Finally, there are a multitude of other considerations such as the impact of broad ownership of the debt on public support for sound fiscal practice, the impact of debt management on the health of our financial institutions and the liquidty of our capital markets, and the cost of servicing the debt.

In determining what should be done in debt management at any given time, we consider the condition of the various capital markets, and what individuals and other investor groups are doing with their money. The interests and needs of all kinds of investors are important to the Treasury. These investors own the public debt, and in our free enterprise society, individuals and institutions alike have a free choice of investing or not investing their money, of buying government securities or other securities instead.

The interests of investors do not always parallel debt management objectives, and in any event we certainly cannot satisfy all investor groups at any given time. However, it is only through understanding investment needs and investor psychology that we can proceed intelligently with our program of improving the structure of the debt.

The fiscal position of the Treasury is improving. We have made significant progress in bringing expenditures under control, with next year's spending scheduled to be $12 billion below 1953 levels. Treasury charts show what our

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Factors Affecting Treasury Financing

practical problems are in the way of maturities of the debt. They also show that the predominant feature of our debt is that it is quite short term. In the Treasury we cannot ignore this debt because so much of it falls due each year that we are constantly, it seems, making arrangements for refinancing maturities. In 1953, for example, when this Administration took office, $80 billion of fully marketable debt was due or first callable within one year (including savings notes). That was over 50% of the marketable debt at the time. At the beginning of 1955, in spite of the sale in 1953 and 1954 of $40 billion of securities due in periods longer than one year, the total debt due within a year on the same basis was reduced only to $67 billion at the end of 1954.

We are making progress in stopping the piling up of debt in extremely short-term maturities. Our average maturity is now about 4⅔ years. That is almost two years longer than it would have been if we had refunded all maturing obligations into one-year maturities in the intervening period. The average length of the debt is still shorter than it was in earlier postwar years, however, so it is easy to see why the Treasury would like to sell more long-term securities and improve the structure of the debt further.

Problems in Sale of Long-term Bonds

The problems we face in the sale of long-term bonds were brought into focus very sharply in the discussions that we had earlier this year in Washington with regard to the sale of the 3% bond due in 1995. This was only the second long-term marketable bond issue of the government since 1945, the other being the 3¼'s of 1983, which were sold in 1953. We have sold an aggregate of $3½ billion of long bonds in the last two years. In contrast, no marketable bonds with a maturity beyond 10 years were sold in the preceding seven years.

In reaching a decision to sell this recent issue, we had to assure ourselves that it would not have an unfavorable impact on business generally, and that it would not upset other capital markets. Finally, we had to be certain that a demand existed for the issue. As you may know, the Treasury, when facing a problem of this magnitude, calls in for consultation committees representing various investor groups, including a committee from your own National Association of Mutual Savings Banks. Other groups that we consult include representatives of the American Bankers Association, the Insurance Companies, and the Investment Bankers Association. These groups are very helpful to us since they represent a broad cross section of financial institutions throughout the country. The members of these committees are in close touch with investment thinking, and are able to help us to a considerable degree in appraising business conditions throughout the country. They are in close contact with the government securities market, and the other capital markets that are likely to be affected by Treasury financing operations.

These various groups confirmed our own thinking that the business picture was strong and improving, and it was their judgment that a long-term issue could be successfully placed. The representatives of the insurance companies and of the savings banks both urged us to sell a long-term bond, and indicated that there would be considerable support for the issue within their respective fields. This was true, notwithstanding the fact that both groups have been net sellers of Governments for some time. For example, mutual savings banks have now reduced their holdings of government securities from a peak of approximately $12 billion in 1947, to $8.8 billion at the end of 1954, with a steady reduction in holdings last year. Similarly, insurance companies reduced their holdings from a peak of $25 billion early in 1947 to $15 billion at the end of 1954, with some reduction taking place in each of the last few years.

With respect to average maturity of the marketable holdings of various investor groups, the record shows that the average maturity of Governments held by mutual savings banks had declined from a peak of 13¾ years early in 1946, to approximately 8¾ years at the end of 1954. Similarly, the average life of the holdings of insurance companies declined from 16¼ years at the end of 1945, to nine years at the end of 1954. This is one of the reasons why the investor groups urged us to sell a long-term bond.

The holdings of insurance companies and savings banks have become steadily shorter, and to some extent, a longer investment is a more appropriate holding for such investors since they tend to hold long-term savings. As a result, many insurance companies and savings banks participated in the successful distribution of our 3% issue by selling shorter term issues and buying the new security. This is perfectly proper and, indeed, desirable from the Treasury's standpoint when the liquidation of the other securities is handled in an orderly fashion, and when the investor does not buy the new issue purely on a speculative basis.

In urging us to sell a long bond, many savings banks and insurance companies indicated their willingness to support it on an even sounder premise. They argued that it would assist the Treasury in reconstructing its debt, and assist also in the development of a broad market for really long-term government securities. They felt that the funding of the debt was important from the standpoint of the long run economic welfare of the country. They felt that the health of their own institutions would be promoted through the purchase of a long-term Treasury bond, even though at the moment there might be other places where they could use their money to greater temporary advantage.

Mutual savings banks were allotted $45 million of the 3% bonds at the time of issue on Feb. 15. However, they made substantial additional purchases in the market and their holdings increased to $225 million at the end of February and to $261 million at the end of March. During the first three months of this year their total holdings of government securities advanced about $40 million. This was an excellent showing.

We are appreciative of the part that the savings banks played in making the 3% issues a success. The Treasury feels that the sale of the long-term bond issue was a highly constructive move. The success of the offering and the movement of business since that time clearly demonstrates that long-term financing can be undertaken without interrupting the course of a business recovery.

The sale of the bond was part of our long-range plan to improve the structure of the debt, to reduce the concentration of various short maturities, and to place more of our debt in the hands of permanent investors. In addition, we are interested in establishing a genuine market for longer-term government securities. We think our economy is sounder and that all of our capital markets are sounder—including the corporate bond market and the mortgage market—if genuine long-term investors are able to make a free choice of investments and are not forced to make investment decisions by the lack of supply of long-term government securities. We think that the mutual savings banks and the insurance companies are in a sounder position if there is a broad market for long-term government securities. If this is true, our effort to improve the structure of the debt by issuing long-term bonds deserves the whole-hearted support of all of these institutional investors.

Since the issuance of the 3% bond we have had to turn our attention to the short-term market. In April we sold an issue of tax certificates to cover temporary cash needs through the middle of June. In addition, we have just finished putting out an issue of 15-month notes to refund our $3.9 billion May certificate maturity and to raise $2.5 billion of cash needed to pay off maturing savings notes.

The Refunding Prospects

The size of our problem of raising additional money in the market during the last half of this year looks to be just about the same as it was last year, after allowing for the increased savings note maturities this year. In many ways, however, our financing problem in the months ahead is considerably easier than it was a year ago. In the first place, the publicly-held marketable maturities, other than Treasury bills, that must be refunded the rest of this year amount to only $9.2 billion, as against $16.5 billion in the last half of 1954.

Even more important than the lighter refunding schedule is the fact that there is daylight ahead in the budget picture. A balanced cash budget appears likely in the fiscal year that is just ahead. The end of cash deficit financing for the year as a whole will have fundamental significance for the Government bond market. It will mean, among other things, that more of our borrowing this fall can be temporary borrowing, to be paid off next spring out of a large seasonal budget surplus.

The rate that we have had to pay on our short-term borrowings has advanced moderately in recent months due to the fact that business has improved rapidly, accompanied by increased demands for credit. In addition, the excess reserves that were in the banking system last year have now been withdrawn and the Federal System has raised the discount rate from 1½ to 1¾%. Basically, these actions have been taken because the economy is so healthy that it no longer needs the stimulus of the excess reserves and the lower discount rate. There are no substantial excess reserves today, yet there is no shortage of credit for legitimate business purposes. Under these conditions, future developments in the economy itself will primarily determine the course of the money market. If the economy moves ahead too rapidly, restraints will develop largely through natural forces, although ample credit should be available for normal growth.

Fluctuations in interest rates which result from natural forces and monetary policy affect the supply of bank credit and the availability of long-term credit for business and individuals from non-bank sources from two different directions. Higher rates reduce the availability of bank credit but they increase the incentive to save on the part of individuals. A general rise in interest rates permits savings banks to offer higher interest to their depositors and it forces borrowers of money, such as business and states and local sub-divisions, to pay a higher rate in order to attract individual saving.

Changes in interest rates, of course, result in changes in bond prices and monetary policy is made effective at least in part through these changes. When interest rates go up, bond prices decline, and that affects the willingness of commercial banks as well as insurance companies and savings banks to accept the loss that they must incur if they transfer their bond investments into other activities. Specifically, in the case of a savings bank if a loss is present in their government bond portfolio they may be more reluctant to sell such issues and make new mortgage loans. This tends to limit the lending activities of savings banks to the amount of their cash flow, which in the long run should be regarded as a normal situation. Thus, a higher interest rate level instills caution on the part of lenders. At certain times in our economic development that is highly desirable.

If somewhat higher interest rates and lower bond prices make you consider more carefully each loan that you make or each security that you buy in times of peak business activity, they will have served their purpose.

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Developments in Municipal Finance

However, in respect to toll projects, the latter almost invariably requires interpretation and decisions by the Courts and frequently amendatory legislation to provide adequate assurances that the new enterprise can be built and operated efficiently and without undue interference.

The third requirement is a thorough study by competent traffic engineers of pertinent traffic movements together with an estimate of the traffic to be generated by and diverted to the new toll project and a schedule of tolls calculated to provide the greatest revenue potential.

The fourth requirement is a detailed report by qualified construction engineers embodying recommendations as to the most suitable site or route within the limitations imposed by the traffic survey, detailed plans covering design and specifications and estimates as to construction costs, construction calendar and costs of operation and maintenance.

The fifth requirement is the development by qualified financial experts of the debt structure best suited to the issuer's present and possible future needs. In order to provide maximum flexibility, revenue financing of new toll projects usually consists of term bonds. The trust agreements which secure them almost without exception prescribe that revenues must be maintained at levels which will provide a comfortable margin above the sums required for operation and maintenance, bond interest, accumulation of reserves and amortization of the bonds by their maturity and that surplus revenues shall accelerate the retirement of debt.

I have already pointed out that during the last eight years motor vehicle registrations have risen by approximately 70%. However, that tells only a part of the story. In the same eight-year period, total motor vehicle miles traveled in the United States has shown an increase in excess of 130%. Our system of streets and roads totals more than 3¼ million miles, of which some 19% is estimated to carry 81% of the nation's motor vehicle traffic. A large part of that arterial network was outmoded before the last war—both as to capacity and functional design—and much of it by necessity was allowed to deteriorate during the war years that followed. We have been faced, as a result, with a highway problem of truly monumental proportions and one which obviously cannot be solved by ordinary methods of financing or construction.

As a consequence, toll roads and other self-liquidating motor vehicle facilities has received increasingly intensive study as a partial solution to the problem and to some extent they appear to be providing it. Toll river crossings such as those of the Port of New York and Triborough Bridge & Tunnel Authorities, the Delaware River Port Authority and the California Toll Bridge Authority have already probably done more to relieve urban congestion than any other transportation medium. Toll expressways and parkways in densely populated areas, frequently linking strategically located toll bridges or tunnels, have also in many instances been successfully fitted into the pattern and, during recent years, a number of major projects have been undertaken in the toll road or turnpike field which promise to remedy some of the more severe shortcomings of our interstate and inter-regional system of highways.

I think that perhaps the greatest single factor in the rapid advancement of the toll road movement during recent years has been the spectacular success of the New Jersey Turnpike. In 1949 the New Jersey Legislature formed a turnpike authority "to construct, maintain, repair and operate turnpike projects at such locations as shall be established by law" and to sell revenue bonds for that purpose which "shall not be deemed to constitute a debt or liability of the State of New Jersey or of any political subdivision thereof." Immediately thereafter the Authority commenced negotiations for $220 million of revenue bond financing to construct a modern, limited access highway which would link the George Washington Bridge in the northern part of the State with the Delaware Memorial Bridge in the south. Confined by enabling legislation to financial self-sufficiency, the Authority found itself unable to raise the necessary funds by the usual methods but was ultimately successful in persuading a group of institutional investors to finance the project under a "forward commitment" agreement which provided that the lenders would purchase specified amounts of the Authority's 3¼% Revenue Bonds of 35-year maturity as monies were needed for construction and would receive fees at an annual rate of ½ of 1% of the unexercised portions of their commitments. The Turnpike was constructed and opened to traffic in a period of less than two years thereafter and its remarkable record, both financially and in increased safety of motor vehicle operation has claimed widespread attention and undoubtedly has been responsible to a considerable extent for the ready acceptance by investors of the revenue bonds which subsequently have been issued to finance the construction of such major traffic arteries as the Ohio Turnpike and the Indiana Toll Road.

Just to give you a quick perspective of the New Jersey Turnpike performance, the full 118-

mile route was opened to traffic on Jan. 15, 1952. In the calendar year 1954 more than 24½ million toll-paying vehicles used the Turnpike, which is almost 2½ times the figure that was estimated for that year in 1949 prior to the original revenue bond financing. The Authority's earnings in 1954 were in excess of $23 million, or about 2¼ times the corresponding estimate. During that same year the accident rate on the Turnpike was 59.2 per 100 million miles of vehicle travel, or approximately 1/7th of the rate experienced on the public highways of the State, and fatality experience was 2.47 per 100 million miles of travel which compares with a rate of 6.02 on the nation's highways as a whole.

Since its initial revenue bond financing five years ago, the New Jersey Turnpike has sold additional revenue bonds in an aggregate amount of almost one-quarter of a billion dollars to finance an extension of the Turnpike across Newark Bay and the Bayonne peninsula to the Holland Tunnel; to provide a direct connection with the Pennsylvania Turnpike; to widen some 62 additional miles of the original Turnpike from four to six lanes and for various other improvements. It is estimated that the Authority's entire indebtedness—now outstanding in a total amount of some $466 million—can be retired from operating revenues within a period of 17 years.

At this point 15 States are operating or constructing some 2,800 miles of turnpikes and toll roads. Two years from now, it will be possible to travel from New York to Chicago on the safest and most modern highways in the world without encountering a stop light or a cross road during the entire trip and, with the exception of a relatively minor Federal grant on the original section of the Pennsylvania Turnpike, private capital will have done the job. Not only has the taxpayer escaped unscathed, but this new superhighway route should alleviate materially the traffic burdens on existing streets and roads in the States through which it will pass and thereby also offer considerable relief to those States and their taxpayers from a budgetary point of view.

A direct route from Boston to Chicago by means of the Massachusetts Turnpike, New York State Thruway, Pennsylvania and Ohio Turnpikes and the Indiana Toll Road also is currently in the combined stages of planning and construction, and the Illinois Toll Highway Commission is planning to finance within the next few months a 193-mile turnpike program which will carry these East Coast-Midwest Turnpike routes around the Chicago area northward to the Wisconsin border, with two legs extending in a generally westward direction to Aurora and Rockford. Iowa is also contemplating construction of a 298-mile turnpike spanning that State from east to west at such time as the Illinois Turnpike may reach its eastern border. Kansas is now constructing a 236-mile turnpike from Kansas City to the Oklahoma border and the Oklahoma Turnpike Authority is extending the Turner Turnpike, which now runs from Oklahoma City to Tulsa, by 89 miles to the Missouri line but has been unable thus far to finance extensions to its borders with Texas and Kansas. Colorado, Kentucky, West Virginia and Maine all have sectional turnpikes in operation or under construction — the last-named being in the process of extension from 44 to 110 miles in length. Florida and Texas are both about ready to enter the revenue bond market to finance turnpikes between Hollywood-Fort Pierce and Dallas-Fort Worth, respectively. Recent attempts to finance turnpikes between Dallas-Houston and Dallas-San Antonio were unsuccessful. A number of other States are either currently engaged in studying possible turnpike projects or, having done so, have concluded that feasibility on a self-liquidating basis cannot be demonstrated at this time.

It is obvious that turnpikes and related toll facilities have already made an important contribution to the solution of our most pressing highway problems and will probably continue to do so in the future. However, to quote one of our leading traffic experts, "Toll roads go where the traffic wants to go" and it is equally obvious that they cannot be expected to fulfill all of the highway needs and wishes of the nation.

In July of last year, the President of the United States, in a message to a Conference of State Governors, recommended the development of a master plan for a highway system that would solve the problems of "speedy, safe, trans-continental traffic, intercity transportation, access highways, farm-to-farm movement, metropolitan area congestion, bottlenecks, and parking." Shortly thereafter the President appointed General Clay as Chairman of a committee to study the subject and submit to him its findings and recommendations. This committee has had many fine brains and much statistical information at its disposal. The facilities of the Departments of Defense, Commerce, Agriculture and Treasury, the Office of the Director of the Budget, the President's Council of Economic Advisors and a special committee of State Governors plus the Bureau of Public Roads were all made available to the committee for assistance and counsel.

The Clay Committee submitted its report and recommendations to the President last January. In brief, the report stated that the national need for new highway construction in the next ten years was estimated at $101 billion of which $23 billion would be required for improvement of the 37,600 miles presently designated as the National System of Inter-State Highways and $4 billion for urban connections with that System. The committee recommended that the State and local governments involved be made responsible for 50% of the costs of those urban connections and that a Federal agency be formed to finance the remaining $25 billion of the Inter-State construction program. In its report to the President, the committee estimated that, if approximately $20 billion of the Federal liability were to be capitalized by means of 3% taxable bonds of this new agency secured by annual appropriations upon the United States Treasury, the over-all costs of the Federal contribution could be liquidated within a period of approximately 30 years from the presently unallocated portion of revenues which will accrue to the Treasury from Federal taxes now levied upon gasoline and lubricating oils.

The plan advanced by the Clay Committee is ingenious and undoubtedly has much to recommend it. However, such legislative stalwarts as Senator Harry F. Byrd of Virginia, who has characterized the committee's suggested capital structure as "financial legerdemain," have voiced strong opposition to the pledge of future Federal revenues to indebtedness which would be excluded from the Federal debt limitation. Accordingly, it appears somewhat doubtful at this time that the Clay Committee's recommendations will be enacted into law by the present Congress and, therefore, probable that our highway problems will continue to present a major challenge to both public and private initiative for a while to come.

Continued from page 2

The Security I Like Best

interests of about $14,000,000. Altogether they come to about 22% of the common stock's admitted book value, but only to about 7½% of its real book value.

History and Business

The business was founded in 1867 as Rhodes & Co. Mark Hanna, of President McKinley fame, became associated with the company some time after its inception, and in 1885 became head of it, at which time its name was changed to the present one. The company owns and operates iron ore properties in New York, Michigan, Minnesota and Missouri, and supervises similar properties for others in Michigan and Minnesota. It owns and operates Great Lake freighters and docks for iron ore coming south and coal and coke going north. It deals in bituminous coal and coke, and operates anthracite mines in Pennsylvania. With subsidiaries and others it owns mining property in Canada, where exploration and development are still going on, but where actual shipments began in mid-1954. A new venture is a nickel mining and smelting operation in Oregon, where a 59% owned subsidiary controls the largest known nickel mine in the United States, as well as operating a smelter under government contract.

Canadian Activity

The Labrador-Quebec undertaking, which is about completed, was performed by the subsidiary, Hanna Coal and Ore Corp., in conjunction with Hollinger Consolidated Gold Mines. American steel companies associated in the project are Armco, National, Republic, Youngstown and Wheeling. This operation should be a source of considerable extra income to all concerned, as the ore to be mined is a much needed addition to the domestic supply for our steel mills. It is even a more important factor for the distant future than the nearer term ahead. The new St. Lawrence River Seaway should be an added value to these Canadian properties.

Stock Portfolio

Hanna's substantial holdings of stocks in other companies was acquired through the years in various ways. Much of it came from the exchange of certain assets from time to time for stock in such companies as National Steel and Pittsburgh Consolidation Coal. Some of it was purchased for cash at prices much below current ones, and in anticipation of growth by the respective businesses, which has been a well rewarded risk in all cases. As of Dec. 31, 1954, the main investments in round figures for holdings and values, were as follows:

Name of Company	No. of Shares	Approximate Market	Amount
National Steel Corp.	2,000,000	65½	$131,000,000
Pittsburgh Consolidation Coal Co.	754,000	75	56,400,000
Industrial Rayon Corp.	341,000	52	17,600,000
Standard Oil of New Jersey	160,000	111	17,800,000
Seaboard Oil Co.	188,000	45	8,500,000
Durez Plastics & Chemicals, Inc.	174,000	26	4,500,000
Phelps Dodge Corp.	80,000	52½	4,200,000
Miscellaneous quoted securities			13,500,000
Total			$253,500,000

Conclusion

This is a growth stock for which an exorbitant premium does not have to be paid. Frequently, it is available in the market at an actual discount from its break-up value in quick assets. While current dividend yield is low, and apparent price-earnings ratio is fairly high, actually it is much less, on an undistributed basis of its extensive stock holdings. The public is not yet particularly aware of this choice security, and if and when it becomes so, the market for the stock could go much higher. It may be of more than passing interest to note that Secretary of the Treasury George M. Humphrey is on leave as the long-time Chairman of the M. A. Hanna Co.

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News About Banks and Bankers

of Cleveland when it opened for business on West Superior Street in 1845 had a capital of $50,000. The bank took out a national charter in 1865 and the name was then changed to The National City Bank of Cleveland. Today the capital funds of the bank exceed $45 million. The one million shares of stock outstanding are owned by almost 6,000 shareholders. Cleveland, at the time of the bank's founding in 1845, was a small city of 9,500 inhabitants. Transportation to and from the city was by stagecoach. Now the population of Greater Cleveland is estimated at more than one and one-half million and it has become one of the principal cities of the United States. The last 20 years have seen the bank grow to 33rd in size among the country's 14,500 banks. Its deposits amount to more than $600 million and now serves thousands of individuals and corporate customers through its main office and 13 branches.

* * *

An increase in the capital of the **First National Bank of Michigan City, Ind.**, from $175,000 to $350,000 as a result of a stock dividend of $175,000 became effective April 30, according to the Comptroller of the Currency at Washington, D. C.

* * *

Enlarged to the extent of $500,000 by a stock dividend, the capital of the **First National Bank of Tampa, Fla.**, was thereby increased from $2,000,000 to $2,500,000 effective May 4.

* * *

The sale of new stock to the amount of $150,000 by the **Peoples National Bank of Tyler, Texas**, has resulted in an increase in the bank's capital from $600,000 to $750,000, the latter amount having become effective March 24.

* * *

The First Western Bank and Trust Company of San Francisco has received permission from the State Superintendent of Banks to open an office in Merced, Cal., T. P. Coats, Chairman of the bank's board of directors, announced on May 3. It is announced that plans for the opening of the new Merced office will develop rapidly once the matter of a building site is finalized.

* * *

The First Western Bank and Trust Company of San Francisco, Calif., has received permission from the State Superintendent of Banks to open an office in **Fresno, Calif.**, T. P. Coast, Chairman of the bank's Board of Directors, announced on May 9. He said negotiations already were underway for a suitable site for the new Fresno office. The proposed Fresno office of the First Western is one of 11 that has been approved to date this year by the Banks. The plans for its establishment were noted in our issue of March 31, page 1537.

* * *

The Salinas National Bank of Salinas, Calif., has raised its capital from $250,000 to $400,000. The sum of $50,000 was added thereto by a stock dividend, while the further addition of $100,000 resulted from the sale of that amount of new stock. The increased capital became effective March 16.

* * *

The Directors of **Midland Bank Limited of London**, announce that Sir Frank W. Morgan M. C., Chairman of the Prudential Assurance Company Limited, has been elected a member of their Board and of the Board of the **Midland Bank Executor and Trustee Company Ltd.**

* * *

Barclays Bank D. C. O. of London, Eng., announces that Dr. A. L. Geyer and Hon. N. C. Havenga have been appointed members of the South African Board.

* * *

Lord Colgrain, M. C., Chairman of **Grindlays Bank Limited, London**, has joined the board or directors of the **National Bank of India Ltd., London**, according to an announcement by the latter on April 26.

Baltimore Bond Club To Hold Outing

BALTIMORE, Md.—The annual outing of the Bond Club of Baltimore is scheduled for Friday June 3, 1955 and will be held at the Elkridge Club in Baltimore. Festivities will begin at 1:00 p.m. with golf, tennis, and an outside bar. At 4:30 p.m. the popular "Stock Exchange" will be held, and dinner at 7:30 p.m. will top off the evening's entertainment. Rivers Chambers orchestra will provide music for the day. Guests from New York, Philadelphia, and Washington will attend and the outing is open to everyone.

E. Clinton Bamberger of Baumgartner, Downing & Company is Chairman of Arrangements and Committee Members are: Edgar M. Boyd, Baker, Watts & Co.; Carter O. Hoffman, Mead, Miller & Co.; John J. Jackson, Baker, Watts & Co.; Chester N. Martin, Kidder, Peabody & Co.; William O. Schach, Merrill Lynch, Pierce, Fenner & Beane; Clinton P. Stephens, Alex. Brown & Sons; William S. Warner, Stein Bros. & Boyce; S. Bonsal White, Alex. Brown & Sons; and F. Barton Harvey, Jr., Alex. Brown & Sons.

With FIF Management

(Special to The Financial Chronicle)

MIAMI, Fla.—Kenneth W. Vandergle is now connected with FIF Management Corporation.

Forms Livingston, Steffen

(Special to The Financial Chronicle)

BOULDER, Colo. — Livington, Steffen & Co., Inc. has been formed with offices at 1320 Pearl Street, to engage in a securities business. Officers are Julius S. Livingston, President; Harry E. Steffen, Vice-President; and J. M. Steffen, Secretary.

New Atomic Fund In Philadelphia

The organization of Science & Nuclear Fund, a new growth-type mutual fund, was announced in Philadelphia by Donald F. Bishop and Robert D. Hedberg, President and Vice-President.

Messrs. Bishop and Hedberg, organizers of the new fund, have conducted an investment counsel business in Philadelphia for some years. Their firm is the fund's investment adviser.

Stanford Research Institute of Stanford, Calif., has been retained by the investment managers as consultants on technical aspects of nuclear science and on general scientific matters.

Shares, priced at $10.99 a share and free of Pennsylvania personal property taxes, are being offered through registered security dealers by Science & Nuclear Distributors, Inc., sponsors of the Fund.

The new fund will invest in the common stocks of companies in nuclear science and other fields where scientific developments are important. Under its policy, from one-third to two-thirds of assets will be invested in those concerns engaged in nuclear science. Overall, 80 to 90% of its investments will be in well-established companies.

Directors of Science & Nuclear Fund, in addition to its organizers, include Dr. Robert C. Clothier, President emertitus and trustee, Rutgers University; Dr. Donald W. Collier, Director of Research, Thomas A. Edison, Inc.; and Samuel B. Jones, Vice-President in charge of investments, Fire Association of Philadelphia.

Provident Trust Company of Philadelphia is custodian and transfer agent of the new fund.

Mutual Funds

By ROBERT R. RICH

NET ASSETS of the 117 mutual fund members of the National Association of Investment Companies at the end of April totaled $6,602,310,000, it was announced today. This compares with $6,524,486,000 at the end of March and $6,109,390,000 at the year-end 1954.

Investors opened 8,195 plans for the regular purchase of mutual fund shares during April, compared with 9,879 during March. For the first four months of this year, 35,461 accumulation plans have been opened.

Investors' purchases of new mutual fund shares during April totaled $95,799,000, compared with $120,819,000 in the previous month. Purchases of fund shares by investors in the first four months of this year amounted to $425,898,000.

Share redemptions by investors were $35,628,000 in April, down from the $54,742,000 redeemed in March of this year, the Association reported, pointing out that mutual fund shareholders have the option at any time to convert their holdings into cash equal to the current asset value of their shares. Total redemptions for the first four months of 1955 amounted to $175,667,000.

Cash, U. S. Government securities and short-term obligations held by the 117 mutual funds totaled $337,988,000 at the end of April, representing 5.1% of total net assets. This compares with $341,542,000, or 5.2%, at the end of March.

TOTAL NET assets of Commonwealth Stock Fund as of April 30, 1955 rose to $795,066 as compared with $373,155 as of Oct. 31, 1954. Asset value per share has increased by 23% during the same period to $10.58 and by 59% since Aug. 1, 1952 when the fund's shares were first offered.

Industry holdings were Automotive 2.9%; Aviation 3.4%; Building 4.5%; Chemical and Drug 13.1%; Electrical and Electronics 7.3%; Electric Power 6.1%; Insurance 4.5%; Machinery 3.6%; Metal 3.6%; Office Equipment 3.0%; Oil 14.1%; Paper and Container 4.1%; Natural Gas 3.0%; Steel 2.7%; Miscellaneous 6.9%; Cash and Receivables 17.2%.

New additions were Babcock & Wilcox, Consolidated Engineering, Continental Casualty, Imperial Oil, Monsanto Chemical, Pittsburgh Plate Glass, Scott Paper, Socony-Vacuum, Stone & Webster, Texas Co. and U. S. Gypsum.

S. Waldo Coleman, President, said "In Commonwealth Stock Fund, emphasis has been placed on the selection of common stocks of more than 60 companies which we feel are well-situated leaders in their respective fields."

MASSACHUSETTS Life Fund, a balanced mutual fund, reports for the quarter ended March 31, 1955 total net assets of $22,134,238, equal to $35.59 per share on 621,940 shares outstanding. This compares with $17,421,230, equal to $30.11 per share on 578,636 shares outstanding for the same period a year ago.

On March 31, 1955, common stocks represented 63.42% of the fund's assets, with 9.37% in preferred stocks, and 27.21% in bonds and cash. Largest industry holdings in the common stock section on March 31 were in public utilities, oils, automotive and aircraft, steel, and rubber.

Additional funds during the quarter were invested principally in a selected list of high-grade bonds. Continental Can Company was added to common stocks. Holdings eliminated were American Airlines convertible preferred, American Can Co., and Continental Illinois National Bank & Trust Co.

Fundamental Assets at $270 Million on Mar. 31

Fundamental Investors, Inc., third largest common stock mutual fund, today reported to shareholders record results at the end of its first quarter of 1955. Increases are shown in total net assets, net asset value per share and number of shareholders.

Wm. Gage Brady, Jr., Chairman, stated that total net assets as of March 31 were $270,781,373 compared with $256,249,343 three months previously. Fundamental's net assets on March 31, 1954 were $187,779,386.

Net asset value per share was $13.94 at the end of the first quarter, an increase from $13.49 on Dec. 31, 1954. On March 31, 1954, net asset value per share was $10.50.

On March 31 there were 61,143 shareholders of Fundamental. This compares with 57,198 at the end of the 1954 calendar year and 50,968 on March 31, 1954.

In a comment on the current economic outlook, it is stated in the report that "The expectation of a higher level of general business in 1955, expressed in the Annual Report of the fund, has been supported by the rise in activity during the first quarter of the year. The construction industry continues at a peak level, and the expansion in output of steel and automobiles has been more rapid than anticipated. While the pace may well slacken later in the year, general recovery from the 1953-54 economic adjustment seems likely to characterize 1955."

Changes made in investment holdings during the first quarter of 1955 include increases in holdings in automotive, machinery, railroad and steel groups. Certain changes were made within the petroleum group. Reductions were made in Fundamental's holdings of retail trade, electric utility, natural gas pipeline, chemical, food and container companies.

Additions were made to shares already held in Admiral Corp., Cities Service Service Co., Commercial Credit Co., General Motors Corp., Goodyear Tire and Rubber Co., Halliburton Oil Well Cementing Co., Kennecott Copper Corp., Phelps Dodge Corp., Republic Natural Gas Co., Socony-Vacuum Oil Co., Inc., Standard Oil Co. of California and Youngstown Sheet and Tube Co.

Securities newly added to the Fund's holdings were Burroughs Corp., Crown Zellerbach Corp., Illinois Central Railroad Co., Kaiser Aluminum and Chemical Corp., National Cash Register Co., and Yale and Towne Manufacturing Co.

Reductions of holdings were made in American Can Co., American Stores Corp., Columbus and Southern Ohio Electric Co., El Paso Natural Gas Co., Pure Oil Co., Southern California Edison Co. and Victor Chemical Works. Those securities which were eliminated included Mercantile Stores Co., Inc., Panhandle Eastern Pipe Line Co., TXL Oil Corp., United Fruit Co. and Western Auto Supply Co. (Mo.)

Trust to Offer Shares Backed By Mortgages

A new investment to meet the needs of the pension retirement, and other trusteed funds, both public and private, is being made available by Investors Funding Corporation of Pasadena, California, according to a report made in New York City by the Corporation's President, Mr. William A. King.

"The investment" Mr. King stated, "is designed to meet the need of funds seeking maximum safety, maximum yield, and minimum costs of handling the details of administering the investment.

"In their search for investments," continued Mr. King, alert and progressive trustees have looked longingly at government guaranteed mortgages because the safety of these investments ranks them next to government bonds and because their rate is high; but up until now, trustees have hardly invested in insured mortgages on individual homes because the complications of procurement and administration would necessitate the adding of a mortgage department.

"Also, investors feared the assumption of unpredictable responsibilities involved in dealings with servicing organizations, possible foreclosures, and even property ownership. Moreover, it was known that the actual cost of handling details of administration greatly reduces the advantage of mortgage ownership as compared with other investments of comparable safety."

"The Investors Funding Corporation plan," declared Mr. King, "overcomes these obstacles. In essence it makes the trusteed fund the beneficial owner of government guaranteed mortgages of unquestioned soundness, under an arrangement which frees the trustee from administrative responsibility and operating detail. In vestors Funding Corporation makes provision for handling all essential functions through the use of a responsible trust company and a substantial and experienced servicing organization. The result is a net yield of 4% or better.

"In this IFC investment which thus brings the pension fund an opportunity to enjoy a high net yield on safe government insured mortgages," Mr. King concluded, "procurement and administration are reduced to the simplicity of bond purchase and administration."

IDS Will Complete Automation This Year

Entire automation of the many operations required in handling a quarter of a million shareholder accounts in three mutual investment funds for which Investors Diversified Services, Inc. is investment manager and principal underwriter, will be completed by August, 1955, the company announced today.

The latest models in electronic equipment are already in use at the IDS home office in Minneapolis and with the addition of more machines by midsummer, the company expects to have one of the most completely mechanized systems for funds shareholder accounts services in the nation.

This year, a shareholder in Investors Mutual, Inc., Investors Stock Fund, Inc., or Investors Selective Fund, Inc., will know as much as the home office does about every transaction relating to his account, and at about the same time. The latest type electric accounting machines print fourfold identical records of each account which are distributed simultaneously to the shareholder, to the IDS divisional office and to the local sales representative servicing his account, and to the shareholder's account file in the home office.

Electronic computers figure to the smallest fraction the number of shares he purchases, the net asset value of shares, his cash dividend payments or reinvested dividends, segregating capital gain and investment income.

Confirmations of shareholder transactions and annual summaries of shareholder accounts are likewise produced by electric accounting machines for both shareholder and his local IDS divisional office. In fact, the IDS automation system performs accurately and with incredible speed the functions of calculating, accounting, reporting, and statistical work required by a large corporation like Investors, which has 150 divisional offices in principal cities throughout the United States. Currently, about 20,000,000 punched cards are used annually to operate the electronic calculators and the electric accounting machines. The company will soon write its stock certificates on these machines.

IDS expects delivery of two Model 650 IBM electronic calculators early in 1956. They will be the first of these models to be used in the Twin Cities area. One of the principal uses of this machine will be to handle all the accounting, including payment distribution and interest accruals for face-amount investment certificates, at a speed of about one second for each collection item. There are now more than 350,000 ISA certificate holders. Last year payments amounted to over $75 million.

Affiliated Reports New Highs

Affiliated Fund, Inc. reports new high records in number of shareholders, number of shares outstanding and net assets, for the six months ending April 30, 1955. On that date net assets amounted to $328,296,205, equivalent to $6.07 per share and comparing with $280,914,882 and $5.49 per share six months earlier. Net income for the period was $6,440,607. Issues added to and eliminated from the portfolio in the six months ended April 30, 1955, were:

Additions
American Airlines, Incorporated
Dixie Cup Company
Eastern Air Lines, Incorporated
El Paso Natural Gas $4.40 Convertible Second Preferred, 1954 Series
Lily-Tulip Cup Corporation
Marathon Corporation
St. Regis Paper Company
San Diego Gas & Electric Company
Tennessee Gas Transmission Company
Union Bag & Paper Corporation
United Air Lines, Incorporated

Eliminations
Armstrong Cork Company
Best Foods (The), Inc.
Consumers Power Company
Grand Union Company
National Gypsum Company
United States Gypsum Company

NET ASSETS of Investors Syndicate of America, Inc., wholly-owned subsidiary of Investors Diversified Services, Inc., climbed to a new high of $321,349,019 at the end of 1954, an increase of about 19% over the previous figure of $271,077,125, the company's annual report discloses.

A record net income of $2,020,755—up 18% over the 1953 figure of $1,705,882—was added to the earned surplus, which stood at an all-time high of $8,735,561 at the year-end. Total certificate reserves showed a net increase of $49,001,954, which included $8,437,068 of accruals derived from earnings of the company.

Sales of new certificates with an aggregate maturity value of $269,995,437 marked 1954 as the largest dollar volume year for new business in I. S. A. history. Accounts outstanding increased by 26,238 to a total of 266,874. The average face-amount of new certificates sold rose from $6,215 in 1953 to $6,430 last year.

Total maturity value of certificates outstanding at the year-end reached a record high of $1,438,719,468.

NET ASSETS of Growth Industry Shares, Inc., on March 31, 1955 were $6,172,547 compared with $4,150,366 a year earlier and $5,763,800 at the end of 1954. Net asset value per share was $38.72 against $28.75 on March 31, 1954 and $37.23 on Dec. 31, 1954. The increase over a year ago was $9.97 or 34.7%. For the quarter the gain was $1.49 or 4.0%.

Shares outstanding increased to 159,433 from 144,360 a year ago and 154,809 three months previously.

Management during recent months has kept capital funds fully invested "at a time when much was being made of the fact that the Dow-Jones industrial average had finally surpassed its 1929 performance." Actually two-thirds of the securities in the original G.I.S. portfolio were already above their 1929 peaks in the Spring of 1946.

During the quarter, Sears, Roebuck was added "because of this company's impressive year-to-year gains in profitable sales volume and its constructive approach to foreign markets in adjacent countries of this hemisphere."

Economy's "Boomitis" Discounted; Stocks Called "Fairly Valued"

"The boom is not over yet," according to Harold X. Schreder, economist and executive Vice-President of Group Securities, Inc.

Harold X. Schreder

"While business and the stock market may well go 'on ice' at around current levels for the summer," said Mr. Schreder in an address before the 25th Annual Business Conference, held at the University of Michigan's Graduate School of Business Administration on Saturday, May 14, "today's conditions are not 'boom' conditions in the popular sense of the word.

"In fact," continued Mr. Schreder, "we are currently enjoying the ultimate in dynamic prosperity: substantial hand-in-hand growth in production and consumption, provided by expanding private business without inflation."

Mr. Schreder pointed out that our growing national output and consumption are not only now in near-perfect balance just above the previous peak of 1953, "but there is a vast improvement since then in the character of our renewed prosperity. Today, increased private spending has more than offset the decline of over $16 billion in government defense spending since 1953's war generated economy. In the meantime, the cost of living index has been unprecedentedly stable.

"Moreover," continued Mr. Schreder, "with government spending leveling off at its reduced figure and private consumption still pointed upward—and recently reinforced by increasing capital expenditures — our earlier expectation that 1955 would be a record year seems completely justified. An all-time high gross national output of close to $375 billion appears certain for 1955, with no let-up indicated as far as can be seen into 1956."

As for the stock market, Mr. Schreder made the point that market action does not necessarily run parallel to—in fact can, and often does, move in an opposite direction from—any charted line of business conditions. "But in conformity to the business conditions we expect, both earnings and dividends should also rise to all-time highs this year. On this basis, and taking basic money rates into consideration, our computed normal value of the Dow Jones Industrial Average stock is currently 412 — in a moderately rising trend of value."

From the stock valuation standpoint, therefore, Mr. Schreder described the current market as being about normally valued—just catching up with the past decade of sharp undervaluation—and now being "about mid-point between a dangerous top and outstanding cheapness.

"The overall 'fair price' position of today's stocks is still confidently recognized by investors, too," Mr. Schreder said. He pointed out that his firm's continuous technical price action studies of 81 stock groups and more than 1,000 individual stocks "show that of the stocks which have been the best performers in this market, only 11% have lost their forward momentum at this time, whereas immediately prior to all previous major market breaks at least a third of the leaders had lost their forward momentum, and that just before the famous 1929 decline three-fourths of the better performers had lost their market leadership.

"A strong economic foundation has been built for the continuation of solid progress; continuing sound monetary policy is all that is needed to assure it. If an (all important) adequate money supply is provided by the Federal Reserve and we continue to take advantage of the opportunities for growth which are so potently open to American industry, the $375 billion gross national product indicated for 1955 should be replaced by a figure of $550 billion by 1965.

"Correspondingly," concluded Mr. Schreder, "this year's estimated Dow Jones earnings of $31 per share and dividends of $19 per share should increase to around $48 and $30, respectively, by 1965. Obviously, despite the expected character changes and periodic reactions in stocks, and they will be severe at times, it is not improbable at all that the average stock will exceed the '600' level over the next decade."

Closed-End News

United States & Foreign Securities Corporation and its subsidiary United States & International Securities Corporation report combined net assets of $123,679,913 as of March 31, 1955, compared with combined net assets of $126,762,522 on March 31, 1954.

During this 12 months' period U. S. & Foreign and its subsidiary U. S. & International retired a total of 396,300 shares of first and second preferred stocks, of which 100,000 shares had been owned by U. S. & Foreign. These retirements involved a net outgo, in cash and securities, of $31,430,120. The combined asset figure for March 31, 1955, also reflects a deduction of $37,656,425 representing U. S. & Foreign's investment in its subsidiary compared with a similar deduction of $39,991,050 as of March 31, last year.

Net assets of U. S. & Foreign alone on March 31, 1955, amounted to $114,265,805, equal, after deducting the value in liquidation of the second preferred stock in the amount of $5,000,000, to $110.93 per share of common stock outstanding.

This compares with $100,717,646 or $87.14 per share of common stock on March 31, 1954. During the first quarter all of the outstanding 50,000 shares of first preferred stock were called for redemption on June 30, 1955, and on April 14, 1955, the directors authorized a request for tenders from the holders of second preferred stock. It is contemplated that any such shares not so acquired may be called for redemption as of June 30, 1955.

U. S. & International reported net assets of $47,070,533 at the end of the first quarter. This figure is after deducting the $5,250,000 bank loan incurred in connection with the retirement of first preferred stock and is equivalent to $18.94 per share of common stock compared with $66,035,926 or $12.53 per share of common stock at March 31, 1954.

In the first quarter all of the outstanding 100,000 shares of first preferred stock were called for redemption on April 30, 1955, and the corporation also acquired for retirement the outstanding 100,000 shares of second preferred stock, distributing portfolio securities in liquidation thereof.

Joins McDonald Company

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—David T. Wild has become connected with McDonald & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

South. Calif. Edison to Offer Over $40,000,000 Of 3¼% Debentures

Southern California Edison Company's rights offering to original preferred and common stockholders of 3¼% convertible debentures, due July 15, 1970 has been authorized by the California Public Utilities Commission, it was announced on May 11.

The principal amount of the debentures will not exceed $40,950,600. The debentures will be convertible into common stock on and after Jan. 15, 1957 at the initial price of $42.85 per share of common stock, equivalent to approximately 2⅓ shares of common stock for each $100 principal amount of debentures. The action by the Public Utilities Commission was followed by completion of registration proceedings with the Securities and Exchange Commission.

The new debentures will be convertible through July 17, 1967. With certain exceptions, one third of the issue may be converted in each of the one-year periods commencing Jan. 15, 1957 and Jan. 15, 1958, respectively, although the company has the option to accept a greater amount if surrendered for conversion. The conversion price will be increased to $44 after Jan. 15, 1962 and $45 after Jan. 15, 1964.

Each holder of the company's original preferred and common stock of record May 17, 1955, will be mailed a transferable warrant on or about May 23, 1955, representing rights to subscribe for the debentures. Twenty rights and $100 will enable the holder to subscribe for $100 principal amount of new debentures. The subscription agents will be Security-First National Bank of Los Angeles and Bankers Trust Co., New York, who will fill orders of warrant holders to buy or sell rights. Rights will expire on June 14, 1955. The new debentures will be issued in denominations of $100, $500 ,$1,000 in bearer form only; $10,000 and multiples of $100 in excess of $10,000 will be issued in fully registered form.

Part of the proceeds from the sale of the new debentures will be used by the company to retire short-term bank loans, estimated not to exceed $17,500,000, and the balance to finance the company's continuing construction program which is expected to amount to approximately $84,000,000 during 1955.

Named Directors

The election of Arthur M. Krensky and Glenn R. Miller to the board of directors of Corn Belt Insurance Company, Freeport, Ill., has been announced by Frank Johnson, President.

Both new directors are with Chicago stock brokerage firms. Mr. Krensky is President of Arthur M. Krensky & Co., Inc. Mr. Miller is a partner in Cruttenden & Co.

New Staats Branch

SACRAMENTO, Calif.—William R. Staats & Co., members of the New York Stock Exchange, have opened a branch office at 926 J Street, under the management of M. Kenneth Anderson.

Haydock Schreiber Admits

Haydock, Schreiber, Mitchel & Watts, 120 Broadway, New York City, members of the New York Stock Exchange, on May 27 will admit Charles E. Haydock, Jr. to partnership.

John P. Satterfield

John P. Satterfield, partner in Hoppin Bros. & Co., passed away on May 8.

Morgan Stanley Group Offers Ohio Edison 3¼% Bds. at 100.57%

Morgan Stanley & Co. and associates offered for public sale yesterday (May 18) a new issue of $30,000,000 Ohio Edison Co. first mortgage bonds 3¼% series due 1985. The bonds are priced at 100.57% and accrued interest to yield about 3.22% to maturity. The issue was awarded to the group yesterday on its bid of 100.10 for the indicated interest rate.

Proceeds of the sale will be available for the company's construction program or for reimbursement of its treasury for expenditures made for that purpose. The company estimates its expenditures for construction in 1955 will amount to $44,100,000. From Jan. 1, 1950 through Feb. 28, 1955 the company made gross property additions of approximately $183,700,000, of which $182,800,000 was for electric plant.

The new bonds are subject to redemption at 103.57% if redeemed during the 12 months ending April 30, 1956 and thereafter at prices decreasing to the principal amount. They are also redeemable under an improvement and sinking fund at prices ranging from 100.57% to the principal amount.

Ohio Edison Co. furnishes electric service in 598 communities and in rural areas of Ohio having an estimated population of about 1,400,000. Pennsylvania Power Co., a subsidiary, serves 133 communities in western Pennsylvania.

For the 12 months ended March 31, 1955 consolidated operating revenue was $112,444,000 and gross income before income deductions was $24,340,000.

Braniff Airways, Inc. Offering Underwritten

Chas. E. Beard, President of Braniff Airways, Inc. on May 13 announced that the registration statement relating to 460,644 shares of the company's common stock being offered to stockholders, became effective May 12 after the close of the New York Stock Exchange.

The subscription price is $12.50 per share, and the offering is being made at the rate of one additional share for each three shares held of record by present stockholders at the close of business on May 12, 1955. The subscription period will expire May 26, at 3:30 p.m. (EDT).

The offering is being underwritten by F. Eberstadt & Co., Inc., who have also negotiated for the company the private sale of up to $15,000,000 of 4¾% sinking fund notes, due April 1, 1970, to institutional investors.

The proceeds from the sale of the additional common stock, together with other cash funds of the company, including the proceeds of sales of such 4¼% sinking fund notes as the company may issue, will be used for the purchase of flight and related equipment and debt retirement and for other corporate purposes, but no part of such proceeds has been specifically allocated for any particular purpose.

Braniff Airways, a certificated airline, operated 15,557 route miles as of March 15, 1955, of which 8,686 miles were domestic and 6,871 miles were international. Domestic routes extend from the Gulf to the Dakotas, serving such cities as New Orleans, Houston, Kansas City, Chicago, Minneapolis and Denver. The International Division provides service to the principal Latin American countries.

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Public Relations: the Creation of Understanding

record can still count on the support of their stockholder body.

Four Questions

In seeking the key to this philosophy, four questions are pertinent.:

(1) Do we know our stockholders?

(2) Do our stockholders know us?

(3) What do we want from our stockholders?

(4) What do our stockholders want from us?

How do we get to know our stockholders? There are several ways. Some years ago the New York Stock Exchange sponsored a survey by the Brookings Institution. For the purpose of this survey, a questionnaire form was sent to all listed and many unlisted companies. They were asked to analyze their stockholder list, geographically by states, by amount of shares held, and by type of holder — men, women, brokers, banks, etc. It would surprise you to know how few companies had ever bothered to keep their stockholder records in this simple form. In many cases it was necessary to enlist the aid of the transfer agents or other organizations to compile this information.

However, such a numerical count is merely the first step in knowing your stockholders. Take the stock listed in brokers' names, for example. Each broker is just a single name on the stockholder list but actually he represents numbers of beneficial owners, frequently running into the hundreds or even thousands. The same is true of bank nominees in lesser degree. These are what we call the "unknown" stockholders but they are just as much a part of the company's ownership as those listed by individual names. While no broker or bank will ever reveal the names of these beneficial owners, the trend of nominee or broker ownership is a most important factor in a company's program. To follow this trend it is necessary that the daily transfer sheets be constantly analyzed. If the amount of stock on "Street name" shows a steady increase while that in individual names declines, it indicates that a speculative interest in the stock is developing. This, in itself, is not necessarily a bad sign but the character of the ownership is important. Certain brokerage firms can be readily recognized by those familiar with Wall Street as acting frequently for persons or groups who may have more than a casual interest in the company. If a running record of purchases and sales by these brokers is kept, it may be a danger signal if accumulation is traceable to them.

Many bank nominees represent investment trusts or pension funds. It is not too difficult to identify such holdings which generally are a constructive factor. A company whose "Street holdings" are declining while the holdings of investment trusts and other institutions are increasing is in little danger of an attack by ambitious speculators.

Professional proxy solicitation is an excellent way to get to know the stockholders. The solicitor does more than ask for a proxy, he puts himself in a position to answer questions about the company he represents and thereby to establish a closer relationship with the management.

Officers of the company can also do much to become acquainted with their stockholders. Several companies make a practice of having one of their top officers visit a number of cities during the year to hold meetings with professional investors and to make personal visits on the larger individual holders. The Secretary of one prominent utility over a course of years had thus talked personally with practically every stockholder of his company holding 100 shares or more.

The degree to which stockholders know their company is measured by the character and amount of information the company gives them. If the company's philosophy is sound, if the proper approach has been used, if a sincere effort has been made to give stockholders the information to which they are entitled, then they should certainly know their company. Most companies which make consumer goods are well known to their stockholders but I imagine that not everyone who eats Wheaties knows that it is made by General Mills and I would not be surprised if some owner of a Dodge thought it was a General Motors car.

It is not so long ago that many a company, if asked what they wanted from their stockholders would answer "for them to leave us alone." Actually those companies which have developed the best relations with their stockholders are the ones who are least bothered by them. On the other hand, companies which adopt an attitude of aloofness toward their stockholders are the ones who most frequently run into trouble. Basically, what every management wants from its stockholders is support and understanding. They go to them year after year for their proxies and whether or not personal attendance at annual meetings is encouraged, they do want the highest possible vote. Management also wants stockholders to be satisfied with the results they obtain. But it is not merely words that count but deeds.

What the stockholders wants from his company has been well expressed by Professor Pearson Hunt of the Harvard Business School as "a sense of belonging." They want to feel that management recognizes that they are the owners of the business and that questions of policy are decided not on the basis of "What will the stockholders swallow?" but 'What is the best for the stockholders in the long run?"

This, in fact, is the foundation stone of all good stockholder relations programs for, until management recognizes its responsibility toward its stockholders, it will never understand the stockholder's responsibility toward management. This mutual understanding and confidence is what we mean by the world "relations."

Now that we have set the stage, so to speak, how do we go about setting up a stockholder relations program and what elements should be included in it?

High Level Contact Essential

The first essential is that the man in charge of stockholder relations should be an officer of the company with immediate access to the President or Chairman of the Board. This is necessary because, as we have pointed out, company policies must be decided on the basis of the interests of the stockholders and unless the man in charge of stockholder relations can participate in formulating company policies, decisions are bound to be taken without proper consideration of what is best for the stockholder.

In many of our leading companies, stockholder relations is a function of the public relations department and the head of that department is a vice-president. The department itself may contain several divisions—public relations proper, community relations, employee relations and stockholder relations, for example—but over each division head is the vice-president in charge.

Where the company is not large enough to have such an organization and where the public relations function does not include stockholder relations, it is usually desirable to employ outside counsel in setting up and supervising stockholder relations activities. In such event, the contact of the outside counsel must be with a ranking officer, preferably the president himself, so that guidance on matters of policy can be translated into action.

It does no good, except in a preliminary interview, to talk to a minor official. Not only is he not empowered to make a decision but even if he is sufficiently impressed to "sell" the program to his president, he often does so without any sincere desire on his part to carry out the plan.

The Study

As each company's problems are different and as each company has different factors, such as position in its industry, results over a period of years, composition of its stockholder list and market action of its stock, no two stockholder relations programs can be identical, although when it comes to procedure they may roughly follow the same pattern. Therefore a preliminary study or review of the company's background and the history of its earnings, sales, dividends, stock prices and trading volume is necessary. Although most of this may be well known to the executive it is useful as showing the climate in which the company operates and indicates what its stockholders' opinion might be. The various tables of sales and other data also reveal trends which are important in evaluating stockholder sentiment.

A close analysis of the stockholder list is essential. Geographical distribution is not of great importance except where it is found to be out of line with the usual concentration. Whether there is a preponderance of men or women holders is not too important unless the percentage one way or another is out of line. What is important is the amount of stock in large holdings, the amount closely held or in management hands, and the amount in the hands of brokers, nominees and other fiduciaries. The relative percentages of these categories is the best possible indication of whether the stock is a speculative favorite or whether it is largely held in strong hands not likely to be swayed by the designs of financial entrepeneurs.

These analyses determine to a large degree the type of program needed to attain the objective sought.

The various media commonly used in stockholder communications should be reviewed. Those currently in use should be subjected to critical analysis in order to determine how these media should be adapted to the particular uses of the company.

The Annual Report

The annual report is, of course, the primary means of communicating with the holders. Whether the company is large or small, the annual report is the once-a-year record of the management's stewardship. But the type of annual report, its format and content must be designed to fit the individual company's needs. Most annual reports are in letterhead size, yet there are cases where a smaller format is more appropriate. Cover design is an important element. Whether it should be in a single color or several colors is again a matter of fitting the design to the company itself. Charts and illustrations are useful if they point up certain portions of the text or make significant comparisons readily understandable. But they should never interfere with the readability of the text which is the fundamental element of the entire report. The text itself should be written in a friendly, non-technical style, easy to read and should tell the whole story of the company's operations, relating the events of the past year both to the years before and those to come. Thus it is desirable to include a table giving comparative data on operations and financial position over a period of 10, 15 or 20 years. It is not enough to say merely that sales were so much and that they increased or decreased by so much compared with the previous year. The reasons for every figure, whether good or bad, should be explained. Only thus can the owners recognize the ability of their management.

No matter how wide the distribution to employees or suppliers or customers or to community interests, the annual report is addressed to the stockholders and its contents should, therefore, be designed and written with their interest only in mind. If the other persons who may receive the report are considered in the writing it is bound to be satisfactory to nobody. The annual report is a report of management's stewardship addressed to the owners of the business. It should be nothing else.

Interim Reports

While the annual report is a complete, factual account of the past year's operations with a glimpse at the future outlook, it should not be the only message the stockholder receives from his company during the year. Most companies now publish quarterly earnings figures and all those listed on the New York Stock Exchange are required to do so. But it is not enough to give out these figures to the press and hope that the widely scattered stockholders will see them. Quarterly interim reports furnish a valuable opportunity to keep the owners in touch with the management at least four times a year. The ideal interim report should be like a serial story, giving not only the dry figures but comment on them, news of new processes or new products—in other words another annual report in brief. To carry out this thought the design of the quarterly reports should correspond to that of the preceding annual report. This gives a feeling of continuity and reminds the stockholder to look back occasionally on the annual report and thus renew his faith in the management.

There are a few companies who contend that interim reports are misleading as their operations are seasonal. This is not a valid argument. If earnings are lower in some quarters than others, comparison with earnings for the corresponding quarter of the previous year will make this clear. If necessary it is possible to indicate what the company's experience by quarters has been over a period of years—for example that the first quarter over a ten-year period showed only 10% of the year's earnings; the second quarter showed 20%; the third 30%; while the fourth and largest quarter showed 40%.

Dividend Enclosures

Dividend payments furnish another opportunity for communicating with the stockholder. Nothing pleases the holder more than the receipt of a dividend check but many companies overlook the opportunity this gives to include some message with the check. If the payment dates permit the inclusion of an interim statement, so much the better but even where they do not a little leaflet or envelope stuffer can be used to great advantage for the receipt of the check is the best possible inducement for the stockholder to read whatever else the envelope contains. If the company has a consumer product the message can stress some new product or a new use for an old one. If not, a message written around some process of manufacture or some development of interest in the way of research is valuable.

These three items—annual report, interim report and dividend enclosure—are basic to every program although the form and content may differ in every case. In addition, there are a number of other kinds of stockholder communication which may or may not be appropriate.

Welcome Letters

One of these is the welcome letter to new stockholders. This is a most difficult letter to write, for no matter how carefully it is phrased, it is obviously a form letter. The essential elements are a brief description of the company's business for there are many purchasers of a company's stock who do not even know what the company makes. An invitation to visit the company's plant or general offices, if not in an out-of-the-way place, also establishes a feeling of friendliness. Finally, it is essential that each welcome letter should be individually typed and hand signed by the President. Otherwise, its whole purpose is defeated.

It is also useful to enclose a return postcard, ostensibly to check the stockholder's name and address but actually to bring forth some response, thus establishing a "two-way" street.

Company magazines range from a house organ primarily for employees to a magazine devoted essentially to stockholder interests. These latter are often in a format similar to an interim report and are frequently sent along with dividend checks. In the case of consumer industries they can also be an effective selling document.

Post-Meeting Reports

A report of the meeting for which a stockholder's proxy has been solicited is something to which he is entitled. In many cases the essential information as to the number of shares represented at the meeting, the names of the directors elected and the officers chosen at the organization meeting of the new board can be readily included in the next subsequent interim report. This, however, is a bare minimum. If there is some controversial matter acted on or if a considerable number of stockholders attend and ask questions, the post-meeting report should be a separate mailing and should cover the events of the meeting fully. The names of stockholders asking questions should invariably be given, the vote for or against each matter acted on should be stated and, in general, the report should be an effective answer to the unspoken query "What was the result of the matter on which I cast my vote?"

Correspondence

One of the most important and at the same time one of the most neglected means for earning the stockholder's goodwill is the treatment of individual correspondence. In companies which have a well-planned stockholder relations program, all incoming letters from stockholders are referred to one individual. Where they cover routine matters such as a missing dividend check or a change of address they can be immediately answered by this individual. Where they ask questions about sales, earnings, costs or other financial or technical matters, such letters are generally referred to the officer in charge of the division or department concerned who drafts the reply. The actual reply, however, is phrased by the person in charge of stockholder correspondence and the letter itself is always signed by the president or chief executive officer. The purpose of this procedure is not only that the holder's inquiry be answered fully and to his satisfaction, thus making him a friend, but that the tone of all the letters should be uniform and in line with company policy.

The "Unknown" Stockholder

All of the foregoing refers primarily to the treatment of individual stockholders of record. Let us now examine some of the ways for reaching that large body of "unknown" holders whose stock is in the names of brokers or other fiduciaries. Most companies furnish brokers with sufficient annual reports along with the proxy material for distribution to their beneficial owners. But this is not enough. Every interim report, dividend enclosure or post-meeting report should likewise be delivered to brokers and fiduciaries and they should be urged to forward these messages to their customers at the company's expense. Otherwise this important segment of the stock ownership is neglected.

The Professional Investor

As most initial purchases of a company's stock are made on the advice of a broker, bank, or investment advisor, it is important that these persons have complete and unbiased information about the company's operations if their judjment as to the wisdom of a purchase or a sale is to be based on facts rather than rumors. Particularly in brokers' offices, the customers' man only earns his living by a frequent turnover of his client's capital. In order to accomplish this to the best advantage and to earn his commission on a purchase or sale, he must constantly be kept informed of new opportunities for investment. As he himself usually does not have the time or specialized knowledge to appraise the thousands of securities in the listed or over-the-counter market, he depends for his information on the advice of the security analysts in his own office. In many of the larger brokerage houses there is not one but several such analysts, each one specializing either in a particular industry or in some cases in a single company in an industry. Most of these analysts obtain basic information from the so-called services, Standard and Poor's, Moody's, Fitch's, etc., and of they really wish to get down-to-earth information, they frequently visit a company to ask questions. These visits sometimes take up a good deal of time on the part of the officer who receives them and can be avoided to a great extent if the company voluntarily gives out current information to the security analysts who have a particular interest.

Most of the security analysts' societies hold frequent luncheon meetings to which representatives of various companies are invited to give talks. Although this is one means of telling the company's story, the attendance at these meetings is limited and even if the officer's talk is printed and widely distributed, it does not always have the desired effect. A better method is to select a particular group of analysts who are definitely interested in the company and to invite them to attend a meeting after business hours at which the president and other officers can address them and answer questions.

Once a year the management of every company has the opportunity of meeting its stockholders face to face at the annual meeting. Simply because stockholders today are so widely scattered and because the proxy solicitation system is so efficient, what used to be somewhat of a town meeting has come to be more or less a cut and dried procedure. Some companies prefer not to have many stockholders attend the annual meeting and try to get it over with as soon as possible. On the other hand, many companies make every effort to attract stockholders to their annual meeting even to the extent of providing special transportation and putting on some kind of show, perhaps a visit through a plant or an exhibition of their products. Some stockholder meetings attract those who want to ask penetrating questions but this should not discourage company officials if they have the right answers. One company encourages questions by sending out with the notice of meeting a form asking stockholders who are not planning to attend to list any questions they wish answered. These replies are then tabulated and answers are prepared to those questions which seem to have the most general interest. In any event, whether the question is of general interest or not, it is answered in a personal letter.

These are the principal means of communication with stockholders and those who guide them but it should again be emphasized that not all of them are applicable to every situation. The important thing is that no matter which of these means of communication is selected, there must be continuity in the program. Once interim reports are started, for example, the company must continue to issue them whether the news they contain is good or bad.

Conclusions

To sum up, we might state the objectives of a sound stockholder relations program as follows:

(1) To give the stockholders a clear understanding of company policies relating to dividends, reinvestment or earnings, sales development, products and research so they will be able to judge whether the management is able and progressive.

(2) To encourage a feeling among the stockholders that they are the owners of the company, that they are being given every consideration, that they are getting all the facts, and are not being ignored.

(3) To condition the stockholders so that they will lend their support to any necessary equity financing in the future.

(4) To educate the stockholders on community, state or national government matters affecting their interest in the company.

(5) To furnish those who guide the investment of present or prospective stockholders the essential facts on which they can base a true judgment of the value of the company's securities.

A program based on these objectives should bring about the following results. It should:

(1) Enhance the prestige of the company among its stockholders.

(2) Create in the stockholder an appreciation for the soundness of his investment.

(3) Cause the stockholder to retain his investment in the company rather than in stock of other companies if necessity forces him to sell.

(4) Strengthen the stockholders' loyalty when earnings or dividends decline.

(5) Result in greater support for management's proposals.

(6) Bring about a larger group of long-term holders and reduce the purely speculative element.

(7) Deter possible opposition which might seek to upset management.

Public Relations is a useful and fast-growing profession. To you young men who are soon to become engaged in it, let me give just one word of advice. The reputation of your employer, if it is a public corporation, can be no better than what its owners think of it. So, in your zeal to make your company more widely and more favorably known, never forget that it is the stockholders who own the business. If you can create understanding by the stockholders of the management's philosophy toward them, you will have brought into being a body of favorable public opinion which will be more effective in preserving the company's good name than millions of words of propaganda.

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A Big Four Agreement— "Another Scrap of Paper!"

established a constitutional form of government to serve us for all time to come.

Other nations have had their revolutions, but either immediately or in the not distant future the people found they had supplanted one ruler for an even more despotic one.

We should be proud of our revolutionary past and help to encourage in the oppressed people behind the iron curtain the revolutionary zeal for freedom which won us a nation.

At the time of Yalta, just ten years ago, less than two hundred million people were behind the communist iron curtain. Today, over eight hundred million people are enslaved by the most godless tyranny the world has ever known.

Despite the fact that the Soviet Union has violated its treaties of friendship and non-aggression with Finland, Poland, Latvia, Lithuania, Estonia, Hungary, Roumania, Bulgaria, Czechoslovakia, and the Republic of China, there are still some who believe that the way to deal with an international bully is by more appeasement.

At Munich the world should have learned that the road to appeasement is not the road to peace, it is surrender on the installment plan.

Russia Has Violated the U. N. Charter

The Soviet Union is an admitted violator of the United Nations Charter and the resolutions in support of the Republic of Korea, a victim of communistic aggression on June 25, 1950. Yet now the Soviet Union is supporting the admission of the aggressor, Communist China, into that organization.

Such action would violate the moral foundation upon which the United Nations is supposed to rest. It would be putting a premium on aggression. It would serve notice that the quickest way to membership is by shooting your way in. It would be a betrayal of the one hundred and forty thousand American casualties including thirty-five thousand of our dead.

The Chinese Communists, in violation of the armistice admit they hold 15 American airmen; 11 of these have been sentenced to communist prisons. There is strong reason to believe they hold several hundred other United States and United Nations military prisoners. We know they hold over 30 American civilians who have been in jail for several years.

As long as one American in the Armed Services or in civilian life is unjustly held I shall not remain silent.

How can our associates even consider compromising principle and honor to that extent? What does the United Nations intend to do about it? What are the American people going to do about it?

How long is the United Nations going to pussyfoot on this question of American prisoners of war being held in violation of the terms of the Korean Armistice? Of the 15 the Chinese Communists admit holding, 11 have been sentenced to terms of from four to 10 years.

These men were shot down in January of 1953. Last fall it was suggested in Government quarters that public discussion be held down until Mr. Hammarskjold had completed his mission to Peiping.

He came back in January and held a press conference in New York on Jan. 14, in which he admitted that the prisoners had not been released nor did he have any firm commitment as to when they would be released.

It was suggested again in Government quarters that the American Congress and the American people be patient and that perhaps Chou En-Lai would release them prior to the Bandung Conference.

The Bandung Conference has now come and gone and the prisoners have not been released.

Are we to wait until these prisoners have been completely brain washed and then released to serve the communist propaganda purposes as has been the case of some of the civilians?

It is time for Mr. Hammarskjold to make his report to the United Nations and to the people of America.

What is intended to be done about communist failure to comply with the terms of the Korean Armistice?

If the United Nations as an organization is paralyzed from taking action, then the Government of the United States has an obligation to men wearing the uniform of this country to take some effective steps in getting our men released.

Have we forgotten the Biblical injunction in Second Corinthians:

"Be ye not unequally yoked together with unbelievers: For what fellowship has righteousnes with unrighteousness? And what communion has light with darkness?"

There are many persons at home and abroad who believe the Chinese Communists are now merely following a long established technique to use negotiations (as at Panmunjom) for the purpose of building up their striking power.

Their minimum price will be a "down payment" of the off-shore island groups of Quemoy and Matsu and admission into the United Nations. Their ultimate price, which they will hope to get by negotiation or through the United Nations, or by armed conflict, will be Formosa and the Pescadores.

In the long history of the Soviet Union or the shorter history of Communist China, there is nothing to demonstrate that the communist pledged word is worth the paper on which it is written.

The bones of the repudiated Soviet treaties and agreements with Latvia, Lithuania, Estonia, Poland, Hungary, Roumania, Bulgaria, Czechoslovakia, Finland, and the Republic of China, together with the 1933 Litvinov Compact with the United States are there for all to see.

More recently the violations of the Korean and Geneva Armistice agreements by Communist China are an additional warning signal against placing either our faith or the survival of our friends and allies on the cynical smiling facade of a brutal Chou En-Lai.

Just recently, I had a letter from an Air Force pilot in Formosa. In his letter to me of Feb. 12, this pilot wrote:

"As an Air Force jet pilot assigned to this Island for the next two years, I am sure my interest in lasting world peace is as acute as that of any American.

"The presence here of my wife and children tends to intensify my natural desire that no one toss any atom or hydrogen bombs this way.

"I am quite convinced that my best chances as well as those of my country and the entire free world rest with the firm 'Stop the Communist March' movement which you so forcibly represent. I have flown 400 combat missions and would rather fly 400 more than to see my kind of a world go down the drain one Island or one small country at a time.

"America must wake up to the real intentions of Communism and take real and purposeful steps to frustrate those intentions."

Gulf Cities Gas Stock At $8.50 Per Share

Eisele & King, Libaire, Stout & Co., New York, is offering publicly an issue of 75,000 shares of class A stock (par $1) of Gulf Cities Gas Co. at $8.50 per share. It is announced that this marks the first time the Gulf Cities company has entered the national market for substantial funds.

The net proceeds are to be used to discharge bank loans, and used for working capital and general corporate purposes.

Gulf Cities Gas Corp. is believed to be the largest retail distributor of liquefied petroleum gas (L-P gas) in Pinellas County, Fla., in which the City of St. Petersburg is located. It supplies L-P gas to more than 6,850 customers located largely in 34 towns, and contiguous areas, beyond the areas served by manufactured gas installations in the County. The company also sells household appliances and leases the containers in which the gas is stored by the customer. The company was formed Aug. 1, 1953, to acquire the L-P gas business operated by its principal stockholder, which had been initiated in 1950.

"Old Dutch Cleanser" Acquired By Purex

Negotiations leading to the recent acquisition by Purex Corp. of the Old Dutch Cleanser Division of the Cudahy Packing Co. were arranged by William R. Staats & Co., Los Angeles, Calif., it was announced on May 18.

Now M. A. Collier Co.

OKLAHOMA CITY, Okla.—The firm name of Burns, Collier & Co., Inc., Commerce Exchange Building, has been changed to M. A. Collier & Co., Inc.

J. F. Flanagan Opens

SALT LAKE CITY, Utah — J. F. Flanigan is engaging in a securities business from offices in the Atlas Building, under the firm name of J. F. Flanigan Co.

Frontier Securities

DENVER, Colo.—Frontier Securities Company has been formed with offices in the Boston Building. Hyman P. Silverman is principal in the firm.

Joins Rex Merrick

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif. — Fred S. Hanley is now affiliated with Rex Merrick & Co., 22 Second Avenue.

Continued from page 4

The State of Trade and Industry

at 180,546 cars and 30,221 trucks, compared with 172,031 and 30,081 the previous week.

The combined 210,767 completions should fall less than 3% under the record 216,629 turnout during April 25-30 and marks the fifth-consecutive 200,000-plus six-day volume.

Sharp increases at Ford Motor and General Motors found these industry leaders garnering 26.9% and 50.3% of the May 9-14 car assembly, compared to respective shares of 26.7% and 49.6% a week earlier.

Absence of Saturday programming should hold Chrysler Corp. to 17.1% of last week's volume against 18.0% in the prior week, despite strong increases at DeSota, Dodge and Chrysler after setbacks in the latter week.

The May 9-14 car output reflected gains in all car makes excepting Plymouth, as industry operations ran 49% above the same 1954 work period. Ford Motor Co. had all final assembly lines booked for Saturday work at Lincoln and Mercury divisions, and all but one at Ford, "Ward's" stated.

Chevrolet, Ford, Dodge, GMC, Mack and Diamond T were among major truck producers showing gains the past week. Other truck builders, meanwhile, were held in check by deficiencies in axle supplies caused by the recent Dana Corp's Fort Wayne plant strike. Willys, for example, was down Monday (May 9) for this reason.

To date in 1955, United States truck erecting totals an estimated 453,437 units, or 6.6% more than the 425,496 units built a year ago. Car output is almost 47% above the 1954 pace, with approximately 3,236,330 counted against 2,207,118 last year.

Last week's Canadian car and truck manufacture at 13,750 units is also expected to show a slight increase over the preceding week's 13,644 completions and rank second only to the 14,392 units built in the week ended April 30, 1955.

The chartering of new businesses continued at an active pace during April, Dun & Bradstreet, Inc., notes. Although down sharply from the all-time peak of 13,417 in March, the April count of new incorporations at 11,756, was the highest for any previous April since 1946. It compared with 10,272 in April, 1954, or an increase of 14.4%.

Steel Operations Scheduled at Slightly Lower Level This Week

Don't be surprised if steel demand soon eases a little, states "Steel," the weekly magazine of metalworking, the current week.

Users, it adds, have been building steel inventories for the last two and a half months. This is detected from the American Iron & Steel Institute's report on mill shipments of finished steel in March. Shipments that month were 7,268,795 net tons, the second highest monthly out-turn in history. "Steel" calculates March consumption was 6,578,000 net tons, leaving 690,800 tons to go into inventory. This is the first time since May, 1953, that consumers have put steel into inventory. But you have to go back to March, 1952, to find a month in which more steel was put into inventory than in March of this year, it declares.

Steel ingot output in April declined only 1.7% from that of March, while the biggest user, the automobile industry, lowered its production 1.9% despite some record-breaking output at the end of April.

During the first two weeks of May, steel ingot production was higher than in March or April: It was at a new record. But auto output in the first week of May eased down 4% from the preceding week's record rate, and there are the first faint signs of a softening in auto sales.

There's every reason to believe mill shipments of finished steel continued in April and up to now at the high rate of March. Mills have built up their stocks in process and can ship a high percentage of their ingot output as finished steel. In March, finished steel shipments were 73% of ingot output. Until then, ingot output had been going up, but finished steel shipments were not rising proportionately.

February's mill shipments of finished steel were 72% of ingot output. In January, while the steel industry was building up working stocks of semi-finished steel, the ratio of finished steel to ingots was only 68%.

Steel ingot production is probably as high as it will go now, this trade journal points out. For the second consecutive week it was at the new record pace of 2,328,800 net tons. To make this tonnage, mills operated at 96.5% of capacity in the week ended May 15.

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 96.3% of capacity for the week beginning May 16, 1955, equivalent to 2,324,000 tons of ingots and steel for castings as compared with 97.2% (revised) and 2,345,000 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 1,712,000 tons or 71.8%. 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 Rose Mildly in the Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 14, 1955, was estimated at 9,673,000,000 kwh., according to the Edison Electric Institute.

This week's output increased 87,000,000 kwh. above that of the previous week, when the actual output stood at 9,586,000,000 kwh.; it increased 1,293,000,000 kwh., or 15.4% above the comparable 1954 week and 1,714,000,000 kwh. over the like week in 1953.

Car Loadings Advanced Further in Latest Week Despite Labor Trouble

Loadings of revenue freight for the week ended May 7, 1955, notwithstanding continued labor trouble on several railroads in the Southern District, increased 10,798 cars, or 1.5% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended May 7, 1955, totaled 740,935 cars, an increase of 92,981 cars, or 14.3% above the corresponding 1954 week, but a decrease of 24,476 cars, or 3.2% below the corresponding week in 1953.

U. S. Automotive Output Last Week Rose More Than 4% Above Previous Week

The automobile industry for the latest week, ended May 13, 1955, according to "Ward's Automotive Reports," assembled an estimated 180,546 cars, compared with 172,031 (revised) in the previous week. The past week's production total of cars and trucks amounted to 210,767 units, a rise above the preceding week's output of 8,655 units, or more than 4% above the prior week's strike-bound total, states "Ward's."

Last week's car output rose above that of the previous week by 8,515 cars, while truck output improved by a gain of 140 vehicles during the week. In the corresponding week last year 121,290 cars and 22,339 trucks were assembled.

Last week the agency reported there were 30,221 trucks made in the United States. This compared with 30,081 in the previous week and 22,339 a year ago.

Canadian output last week was placed at 10,930 cars and 2,820 trucks. In the previous week Dominion plants built 10,833 cars and 2,811 trucks, and for the comparable 1954 week 8,300 cars and 1,867 trucks.

Business Failures Turn Mildly Lower the Past Week

Commercial and industrial failures dipped to 233 in the week ending May 12 from 237 in the preceding week, according to Dun & Bradstreet, Inc. Although casualties were slightly less numerous than a year ago when 248 occurred, they exceeded considerably the toll of 198 in the similar week of 1953. Continuing below the prewar level, mortality was down 30% from the 1939 total of 321.

Liabilities of $5,000 or more were involved in 191 of the week's failures as against 197 of this size last week and 208 in 1954. On the other hand, small casualties, those with liabilities under $5,000, edged up to 42 from 40 in both the previous week and a year ago. Businesses failing for $100,000 or more remained at 12, the same as last week.

Wholesale Food Price Index Moved Slightly Upward Last Week

The Dun & Bradstreet wholesale food price index edged slightly upward the past week to stand at $6.39 on May 10, as against $6.38 a week earlier. The current number reflects a drop of 12.6% from the year-ago figure of $7.31, and is 0.5% below the $6.42 on the like date two years ago.

Advances in individual commodities the past week included flour, wheat, corn, rye, oats, hams, lard, sugar, cottonseed oil, rice and hogs. On the down side were coffee, tea, 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 Recovered Mildly From Downtrend of Preceding Week

The general commodity price level reversed its recent downward trend and showed a mild advance for the week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 273.34 on May 10, from 272.74 a week earlier and compared with 273.96 on the corresponding date last year.

Following early dullness, grain markets strengthened led by a sharp upward trend in wheat.

The bread cereal scored the best gains in many months under buying influenced by increasing concern over adverse weather conditions in both the United States and Canada.

Further deterioration was indicated in the drought areas of the Southwest while seeding in Canada was said to be far behind schedule due to too much rain. The strength in wheat stimulated moderate advances in other grains. Soybeans displayed independent firmness influenced by short covering and negligible stocks in elevators. Activity on the Chicago Board of Trade increased sharply last week. Total purchases of grain and soybean futures amounted to 225,700,000 bushels, equal to a daily average of 45,100,000 bushels. The latter compared with 37,200,000 the previous week and 63,000,000 bushels a year ago.

Prices of hard Winter and Spring wheat bakery flours trended upward the past week. Bookings of these types as well as other types continued on a hand-to-month basis except for a small volume reported in advertised cake flours as mills protected against a 20-cent per cwt. advance. Cocoa prices moved irregularly during the week and developed a firmer trend at the close aided by dealer and manufacturer buying. Warehouse stocks of cocoa declined moderately to 180,316 bags, from 185,718 a week earlier, and compared with 119,535 bags a year ago.

Trading in coffee was light with prices moving mildly lower as importers and roasters awaited news from the producing areas as to future pricing plans.

An upward trend in domestic and world raw sugar prices reflected a sustained demand from Russia for new supplies of refined sugar for immediate shipment.

Lard prices advanced slightly in moderate trading. Hog receipts continued larger than a year ago but values trended upward aided by higher wholesale pork prices and a broader shipping demand. Price for steers declined sharply at the close as the result of more liberal receipts.

Spot cotton prices advanced quite sharply last week.

Reported sales in the fourteen markets fell to 48,200 bales, from 63,200 the previous week and represented the smallest weekly volume of the season. Foreign inquiries were more numerous and sales for export increased although still small in volume. CCC loan entries in the week ended April 29 were reported at 17,900 bales and loan repayments at 11,500 bales. Loans outstanding on 1954-crop cotton at the end of April totaled 1,838,600 bales.

Trade Volume Lifted Moderately Last Week Under Stimulus of Seasonal Promotions

The consumer response to seasonal promotions favored a moderate rise in retail volume in the period ended on Wednesday of last week and sales remained noticeably above a year ago. High levels of employment and income continued to support the mounting volume of credit buying.

The total dollar volume of retail trade in the week ranged from 3 to 7% above a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the year-ago levels by the following percentages: Pacific Coast 0 to +4; East and Northwest +1 to +5; New England and South +2 to +6; Midwest +6 to +10 and Southwest +7 to +11.

As they became seasonally more plentiful, fresh fruits and vegetables were bought in large volume than in preceding weeks. Consumers continued to find dairy products attractive and increased their buying of bakery products and confectionery. Poultry was often more popular than red meat. Volume in frozen and canned foods dipped somewhat. Beverage sales were high and steady.

Favorable weather in most sections of the country helped to stimulate consumers' interest in lightweight apparel. Retailers of men's and boys' sportswear reported gains in volume compared with a year ago. Men's hats and lightweight suits often sold unusually well, while sports shirts remained very popular.

Mother's Day gift buying boosted retail volume in women's accessories and lingerie.

The pace of wholesale buying quickened last week with the result that dollar volume rose moderately above the levels in both the preceding week and the corresponding week a year ago.

Buyer attendance at the major wholesale centers was very high.

While the bulk of orders was for seasonal merchandise, advance orders for small Fall goods increased.

Department store sales on a country wide basis as taken from the Federal Reserve Board's index for the week ended May 7, 1955, advanced 9% from the like period last year. In the preceding week April 30, 1955 a rise of 7% was registered from that of the similar period of 1954, while for the four weeks ended May 7, 1955, an increase of 8% was recorded. For the period Jan. 1, 1955 to May 7, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week only rose about 3% above the like period last year, according to trade observers, despite ideal weather conditions for shopping.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 7, 1955, advanced 3% above that of the like period of last year. In the preceding week, April 30, 1955, an increase of 2% was recorded. For the four weeks ending May 7, 1955, a decrease of 3% occurred. For the period Jan. 1, 1955, to May 7, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

Walters, Peck Admits

George E. Robb, Jr. will acquire membership in the New York Stock Exchange and on May 26 will become a partner in Walters, Peck & Co., 11 Wall Street, New York City, members of New York Stock Exchange.

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 22	§96.3	*97.2	94.6	71.8
Equivalent to—					
Steel ingots and castings (net tons)	May 22	§2,324,000	*2,345,000	2,284,000	1,712,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 6	6,687,550	6,835,950	6,811,400	6,422,400
Crude runs to stills—daily average (bbls.)	May 6	¶7,029,000	7,159,000	6,992,000	6,811,000
Gasoline output (bbls.)	May 6	23,959,000	24,099,000	23,434,000	22,660,000
Kerosene output (bbls.)	May 6	2,075,000	2,126,000	2,500,000	1,872,000
Distillate fuel oil output (bbls.)	May 6	10,307,000	10,521,000	11,105,000	9,557,000
Residual fuel oil output (bbls.)	May 6	7,530,000	7,796,000	8,293,000	8,015,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 6	174,243,000	176,759,000	183,185,000	175,874,000
Kerosene (bbls.) at	May 6	22,195,000	21,012,000	18,696,000	20,210,000
Distillate fuel oil (bbls.) at	May 6	70,551,000	67,635,000	61,934,000	63,939,000
Residual fuel oil (bbls.) at	May 6	43,305,000	43,887,000	44,620,000	44,668,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 7	740,935	730,137	663,462	647,954
Revenue freight received from connections (no. of cars)	May 7	645,574	634,544	625,030	588,414
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 12	$458,746,000	$389,375,000	$272,711,000	$344,045,000
Private construction	May 12	286,442,000	247,070,000	133,020,000	200,358,000
Public construction	May 12	172,304,000	142,305,000	139,691,000	143,687,000
State and municipal	May 12	116,208,000	106,853,000	98,221,000	109,021,000
Federal	May 12	56,096,000	35,452,000	41,470,000	34,666,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 7	8,690,000	8,600,000	8,225,000	6,828,000
Pennsylvania anthracite (tons)	May 7	394,000	396,000	410,000	426,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 7	134	120	122	123
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 14	9,673,000	9,586,000	9,602,000	8,380,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 12	233	237	204	248
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 10	4.797c	4.797c	4.797c	4.634c
Pig iron (per gross ton)	May 10	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	May 10	$34.67	$35.00	$37.33	$27.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 11	35.700c	35.700c	35.700c	29.700c
Export refinery at	May 11	35.775c	36.100c	37.325c	29.650c
Straits tin (New York) at	May 11	91.375c	91.250c	91.500c	93.000c
Lead (New York) at	May 11	15.000c	15.000c	15.000c	14.000c
Lead (St. Louis) at	May 11	14.800c	14.800c	14.800c	13.800c
Zinc (East St. Louis) at	May 11	12.000c	12.000c	12.000c	10.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 17	97.00	96.58	96.50	99.61
Average corporate	May 17	108.88	108.88	109.42	110.88
Aaa	May 17	112.37	112.37	112.93	115.63
Aa	May 17	110.34	110.34	110.88	112.75
A	May 17	109.06	109.24	109.60	110.52
Baa	May 17	104.14	104.14	104.48	104.83
Railroad Group	May 17	107.27	107.27	107.62	109.42
Public Utilities Group	May 17	109.42	109.60	109.97	110.88
Industrials Group	May 17	109.97	110.15	110.52	112.19
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 17	2.72	2.75	2.75	2.52
Average corporate	May 17	3.23	3.23	3.20	3.12
Aaa	May 17	3.04	3.04	3.01	2.87
Aa	May 17	3.15	3.15	3.12	3.02
A	May 17	3.22	3.21	3.19	3.14
Baa	May 17	3.50	3.50	3.48	3.46
Railroad Group	May 17	3.32	3.32	3.30	3.20
Public Utilities Group	May 17	3.20	3.19	3.17	3.12
Industrials Group	May 17	3.17	3.16	3.14	3.05
MOODY'S COMMODITY INDEX	May 17	401.7	401.1	401.3	437.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 7	372,718	290,223	289,436	298,213
Production (tons)	May 7	271,427	266,188	255,796	237,514
Percentage of activity	May 7	97	96	95	87
Unfilled orders (tons) at end of period	May 7	611,141	507,635	547,884	429,184
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 13	106.79	106.82	107.10	108.24
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	1,369,366	1,362,579	1,253,152	1,007,553
Dollar value	Apr. 23	$71,524,445	$71,621,860	$67,665,162	$46,952,871
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 23	1,302,009	1,399,849	1,143,902	1,015,148
Customers' short sales	Apr. 23	7,078	6,213	7,983	6,940
Customers' other sales	Apr. 23	1,294,931	1,393,636	1,135,919	1,008,208
Dollar value	Apr. 23	$65,679,789	$65,689,065	$57,768,454	$45,950,953
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 23	398,430	362,770	314,080	390,722
Short sales	Apr. 23	------	------	------	------
Other sales	Apr. 23	398,430	362,770	314,080	390,722
Round-lot purchases by dealers—					
Number of shares	Apr. 23	421,650	447,310	431,350	368,247
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. 23	569,080	537,550	491,730	388,830
Other sales	Apr. 23	14,747,530	14,502,430	12,553,500	10,184,860
Total sales	Apr. 23	15,316,610	15,039,980	13,045,230	10,573,690
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 23	1,715,410	1,814,960	1,589,320	1,138,740
Short sales	Apr. 23	335,390	285,220	277,660	227,530
Other sales	Apr. 23	1,545,120	1,469,780	1,379,820	890,610
Total sales	Apr. 23	1,880,510	1,755,000	1,657,480	1,118,140
Other transactions initiated on the floor—					
Total purchases	Apr. 23	301,600	331,960	272,680	319,800
Short sales	Apr. 23	33,700	14,000	18,900	24,600
Other sales	Apr. 23	330,740	337,900	260,060	310,310
Total sales	Apr. 23	364,440	351,900	278,960	334,910
Other transactions initiated off the floor—					
Total purchases	Apr. 23	596,625	556,210	475,495	348,860
Short sales	Apr. 23	98,880	122,500	91,570	41,750
Other sales	Apr. 23	643,524	656,190	583,010	381,365
Total sales	Apr. 23	742,404	778,690	674,580	423,115
Total round-lot transactions for account of members—					
Total purchases	Apr. 23	2,613,635	2,703,130	2,337,495	1,807,400
Short sales	Apr. 23	476,970	421,720	388,130	293,880
Other sales	Apr. 23	2,519,384	2,463,870	2,222,890	1,582,285
Total sales	Apr. 23	2,987,354	2,885,590	2,611,020	1,876,165
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 10	110.4	110.4	110.5	111.0
Farm products	May 10	92.5	*92.5	94.3	99.0
Processed foods	May 10	103.3	*108.3	102.6	106.8
Meats	May 10	85.2	85.8	84.2	99.1
All commodities other than farm and foods	May 10	115.7	*115.7	115.7	114.4

*Revised figure. ¶Includes 623,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of March:			
Total gas (M therms)	7,033,165	7,590,972	6,148,510
Natural gas sales (M therms)	6,647,796	7,174,226	5,778,327
Manufactured gas sales (M therms)	54,246	56,103	76,626
Mixed gas sales (M therms)	331,123	360,643	293,557
AMERICAN PETROLEUM INSTITUTE—Month of February:			
Total domestic production (barrels of 42 gallons each)	212,451,000	232,789,000	198,387,000
Domestic crude oil output (barrels)	191,392,000	209,600,000	178,603,000
Natural gasoline output (barrels)	21,023,000	23,127,000	19,749,000
Benzol output (barrels)	36,000	62,000	35,000
Crude oil imports (barrels)	21,033,000	22,922,000	17,395,000
Refined products imports (barrels)	17,566,000	18,872,000	14,234,000
Indicated consumption domestic and export (barrels)	267,904,000	288,339,000	237,007,000
Decrease all stock (barrels)	16,854,000	13,756,000	6,991,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of April 30:			
Imports	$229,023,000	$226,836,000	$269,956,000
Exports	189,255,000	182,141,000	141,713,000
Domestic shipments	10,633,000	12,986,000	13,240,000
Domestic warehouse credits	178,901,000	235,409,000	114,091,000
Dollar exchange	67,628,000	56,496,000	38,298,000
Based on goods stored and shipped between foreign countries	91,881,000	93,100,000	45,932,000
Total	$767,321,000	$806,968,000	$623,230,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of April 30 (000's omitted)	$623,000,000	$681,000,000	$694,000,000
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of March	892,892	720,815	844,092
In consuming establishments as of April 2	1,863,696	1,877,945	1,806,966
In public storage as of April 2	11,869,942	12,741,826	10,551,681
Linters—Consumer month of March	136,733	115,144	99,367
Stocks April 2	1,832,855	1,859,258	1,556,700
Cotton spindles active as of April 2	19,365,000	19,429,000	19,620,000
COTTON GINNING (DEPT. OF COMMERCE)—			
Final report (running bales)	13,601,034	------	14,954,575
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on April 2	22,390,000	22,402,000	22,846,000
Spinning spindles active on April 2	19,365,000	19,429,000	19,626,000
Active spindle hours (000's omitted) April 2	11,485,000	9,299,000	10,799,000
Active spindle hours per spindle in place March	459.4	472.8	432.0
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of April:			
Adjusted for seasonal variations	119	*113	111
Without seasonal adjustment	115	*100	110
EMPLOYMENT AND PAYROLLS — U. S. DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	12,840,000	*12,684,000	12,818,000
Durable goods	7,442,000	*7,324,000	7,430,000
Nondurable goods	5,398,000	*5,360,000	5,388,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	103.8	*102.5	103.6
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	147.7	*144.0	138.4
Estimated number of employees in manufacturing industries—			
All manufacturing	16,265,000	*16,101,000	16,234,000
Durable goods	9,395,000	*9,273,000	9,389,000
Nondurable goods	6,870,000	*6,828,000	6,845,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of March:			
Contracts closed (tonnage)—estimated	285,434	*233,885	193,509
Shipments (tonnage)—estimated	227,789	*213,386	285,365
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of April:			
Weekly Earnings—			
All manufacturing	$74.77	$75.30	$70.20
Durable goods	80.97	81.56	75.43
Nondurable goods	65.74	66.70	62.87
Hours—			
All manufacturing	40.2	40.7	39.0
Durable goods	41.1	41.4	39.7
Nondurable goods	38.9	39.7	38.1
Hourly Earnings—			
All manufacturing	$1.86	$1.85	$1.80
Durable goods	1.97	1.97	1.90
Nondurable goods	1.69	1.68	1.65
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of February:			
Net railway operating income	$66,604,262	$68,660,177	$44,073,593
Other income	17,410,309	21,931,113	16,879,176
Total income	84,014,571	90,591,290	60,952,769
Miscellaneous deductions from income	3,820,778	4,323,599	3,726,445
Income available for fixed charges	80,193,793	86,267,691	57,226,324
Income after fixed charges	49,206,351	54,328,329	25,593,311
Other deductions	3,072,977	2,455,598	2,743,533
Net income	46,133,374	51,872,731	22,849,778
Depreciation (way & structure & equipment)	44,007,875	43,877,328	43,344,023
Federal income taxes	21,868,315	21,203,421	19,159,344
Dividend appropriations:			
On common stock	34,276,374	22,167,646	27,021,222
On preferred stock	13,585,252	6,360,974	19,522,440
Ratio of income to fixed charges	2.6	2.70	1.8
U. S. GOVT. STATUTORY DEBT LIMITATION—As of April 30 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$275,000,000
Outstanding—			
Total gross public debt	276,648,829	274,047,818	271,046,794
Guaranteed obligations not owned by the Treasury	37,455	32,614	79,825
Total gross public debt and guaranteed obligations	$276,686,284	$274,080,432	$271,126,620
Deduct—other outstanding public debt obligations not subject to debt limitation	507,253	509,223	554,613
Grand total outstanding	$276,179,031	$273,571,209	$270,572,006
Balance face amount of obligations, issuable under above authority	4,820,968	7,428,790	4,427,993
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of May 1, 1955:			
Winter wheat—Production (000's omitted)	652,886	662,252	790,737
Rye—Production (000's omitted)	29,345	------	23,688

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Adams Engineering Co., Inc., Ojus, Fla.
April 29 (letter of notification) 101,552 shares of class A stock (par 10 cents), of which 82,924 shares are to be offered publicly and 18,628 shares to employees. **Price**—To public, $3 per share; and to employees $2.75 per share. **Proceeds**—For new equipment. **Business**—Manufacturer of jalousies and outdoor aluminum furniture. **Underwriter**—Atwill & Co., Miami Beach, Fla.

● Air Control Products, Inc. (5/23-27)
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. **Office** — Miami, Fla. **Underwriters** — Scott, Horner & Mason, Inc., Lynchburg, Va.

★ Airport Limosine Service of Broward County, Inc.
April 25 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment, expansion of terminal facilities and related expenses. **Office**—716 N. Federal Highway, Fort Lauderdale, Fla. **Underwriter**—None.

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 Machine & Foundry Co. (6/8)
May 18 filed 237,879 shares of common stock (par $7) to be offered for subscription by common stockholders of record June 7, 1955 on the basis of one new share for each 10 shares held; rights to expire on June 22, 1955. **Price**—To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Union Securities Corp., New York.

★ American Tractor Corp., Churubusco, Ind.
May 2 (letter of notification) 6,000 shares of common stock (par 50 cents) to be offered to employees pursuant to stock option plan. **Price**—90% of the closing price on the American Stock Exchange on date of exercise of option to purchase. **Proceeds** — For general corporate purposes. **Underwriter**—None.

★ Aquafilter Corp.
May 13 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price** — $2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—270 Park Ave., New York, N. Y. **Underwriter**—Vickers Brothers, 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. **Offering** — Expected today (May 19).

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.

★ Artloom Carpet Co., Inc., Philadelphia, Pa. (6/7)
May 11 filed 98,195 shares of common stock (no par) to be offered for subscription by stockholders of record June 6, 1955, on the basis of one new share for each four shares held. **Price**—$5 per share. **Proceeds**—To reduce bank loans. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.

★ Atlantic Coast Development Corp., New York
May 2 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For real estate operations. **Office**—80 Broad St., New York, N. Y. **Underwriter**—None.

★ Atlantic Oil Corp., Tulsa, Okla.
April 22 (letter of notification) 40,000 shares of common stock (par $5) to be offered for subscription by stockholders on basis of one new share for each 10 shares held. **Price**—$7.50 per share. **Proceeds**—For development of properties and expansion. **Office** — Kennedy Bldg., Tulsa, Okla. **Underwriter**—None.

★ Atokad Agriculture and Racing Association
May 6 (letter of notification) $250,000 of debenture bonds. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Proceeds**—To purchase tract of land, to improve same with modern stock and exhibition buildings, etc. **Office**—1908 Dakota Ave., South Sioux City, Neb. **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.

★ Basic Industries Corp., Boston, Mass.
May 9 (letter of notification) 40,000 shares of participating preferred stock. **Price**—At par ($5 per share). **Proceeds**—For expansion and working capital. **Office** — 31 State St., Boston, Mass. **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.

★ Black Mesa Uranium Corp., Fort Smith, Ark.
May 3 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For advances toward expenses for a proposed additional issue. **Office** — 1601 Ballman Road, Fort Smith, Ark. **Underwriter**—Petroleum Finance Corp., Oklahoma City, Okla.

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.
April 19 filed 460,644 shares of common stock (par $2.50) being 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**—$12.50 per share. **Proceeds**—Together with other funds, to purchase seven new DC 70 aircraft on order from Douglas Aircraft Co. for delivery during 1956 and early 1957. **Underwriter**—F. Eberstadt & Co., Inc., New York.

★ Bridgeport Hydraulic Co., Bridgeport, Conn. (6/9)
May 11 filed 55,000 shares of common stock (par $20) to be offered first for subscription by common stockholders of record on June 8, 1955 on the basis of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for property additions and improvements. **Underwriter**—Smith, Ramsay & Co.; Chas. W. Scranton & Co.; G. H. Walker & Co.; Hincks Bros. & Co., Inc.; and T. L. Watson & Co.; all of Bridgeport, Conn.

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.

Brown Co., Berlin, N. H.
March 17 filed $14,217,100 of debentures due May 15, 1975, and 142,171 shares of common stock (par $1) to be offered for subscription by holders of "called" $5 cumulative convertible first preference stock who have not surrendered their shares for redemption or conversion into common stock. These holders may subscribe for $100 of debentures and one share of common stock for each $5 preference share held. **Price** — $100 per unit. **Proceeds**—For redemption of $5 preference stock. **Underwriter**—None.

● California Tuna Fleet, Inc.
Feb. 15 filed (amendment) $500,000 of 6% sinking fund debentures due 1967 and 50,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—Expected at $1,100 per unit. **Proceeds**—For expansion and working capital. **Office**—San Diego, Calif. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Offering**—Indefinitely postponed. Statement withdrawn.

★ Cavalcade of Golf, Inc.
May 13 (letter of notification) 216 units (each unit consisting of a $500 2% seven-year debenture, one share of $500 par value 1% non-cumulative preferred stock and one share of no par value class B common stock. **Price**—$1,001 per unit. **Proceeds** — For working capital, etc. **Office**—200 Fifth Ave., New York. **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 up to 10:30 a.m. (CDT) on June 7.

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.

● Colohoma Uranium, Inc., Montrose, Colo. (5/27)
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.

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.

★ **Cosmopolitan Life Insurance Co. of Memphis, Tenn. (6/7)**
May 16 filed 162,080 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — For selling stockholders. **Business** — Sells industrial and ordinary life insurance and accident insurance in State of Tennessee. **Underwriter**—Allen & Co., New York.

★ **Crown Uranium Co., Casper, Wyo.**
May 6 (letter of notification) 225,435 shares of common stock (par five cents). **Price**—At market (estimated at about 15 cents per share). **Proceeds**—To selling stockholder who received these shares in exchange for shares of Kontika Lead & Zinc Mines, Ltd. **Office**—205 Star Bldg., Casper, Wyo. **Underwriter**—Justin Steppler, Inc., 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.

★ **Dalmid Oil & Uranium, Inc.**
May 9 (letter of notification) 2,999,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1730 N. Seventh St., Grand Junction 2, Colo. **Underwriter** — Columbia Securities Co., Inc., Denver, Colo.

Dal-Tex Uranium Corp., Dallas, Texas
March 24 (letter of notification) 2,850,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—6051 Del Norte Lane, Dallas, Tex. **Underwriter** — Selected Securities Ltd., Las Vegas, Nev.

Desert 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 up to 11 a.m. (EDT) on May 24.

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.

★ **Dreyfus Fund, Inc., New York**
May 17 filed (by amendment) 400,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● **Duraloy Co., Scottdale, Pa. (5/31)**
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."

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.

★ **Evans Radio, Inc., Concord, N. H.**
April 22 (letter of notification) $25,000 of 6% debenture bonds due July 1, 1975. **Price**—At par (in denominations of $25, $100, $250, $500 and $1,000 each). **Proceeds**—To finance time sales. **Office**—10 Hills Ave., Concord, N. H. **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 Fund of New England, Worcester, Mass.**
May 17 filed (by amendment) 400,000 additional shares of beneficial interest in the Fund. **Price** — At market. **Proceeds**—For investment.

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 Corp. of Michigan**
May 5 (letter of notification) $300,000 of 6% long-term notes, series C. **Price** — At face amount. **Proceeds**—To reduce outstanding indebtedness. **Office** — 529 McKay Tower Bldg., Grand Rapids, Mich. **Underwriter**—None.

Fidelity Insurance Co., Mullins, S. C.
March 25 (letter of notification) 86,666 shares of common stock (par $1). **Price**—$1.87½ per share. **Proceeds**—To increase capital and surplus. **Underwriters**—McDaniel Lewis & Co., Greensboro, N. C.; Dietenhofer & Heartfeld, Southern Pines, N. C.; and Calhoun & Co., Spartanburg, S. C.

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-13 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.

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.

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NEW ISSUE CALENDAR

May 20 (Friday)

Schmieg Industries, Inc. .... **Common**
(S. D. Fuller & Co. and Vermilye Brothers) $299,640

May 23 (Monday)

Air Control Products, Inc. .... **Common**
(Scott, Horner & Mason, Inc.) $1,600,000

Alabama Power Co. .... **Bonds**
(Bids noon EDT) $15,000,000

Cuba (Republic of) .... **Bonds**
(Allen & Co.) $2,500,000

Inter American Industries, Inc. .... **Common**
(Baruch Brothers & Co., Inc.) $750,000

Kurman Electric Co., Inc. .... **Common**
(John R. Boland & Co., Inc.) $300,000

Potomac Electric Power Co. .... **Bonds**
(Bids 11 a.m. EDT) $10,000,000

Potomac Electric Power Co. .... **Common**
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) 511,660 shares

Southern California Edison Co. .... **Debentures**
(Offering to stockholders—no underwriting) $40,950,600

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 11 a.m. EDT) $60,000,000

General Controls Co. .... **Common**
(Dean Witter & Co.) 60,000 shares

Hawk Lake Uranium Corp. .... **Common**
(Dobbs & Co.) $300,000

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

General Telephone Corp. .... **Preferred**
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton) $15,000,000

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 11 a.m. EDT) $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

May 27 (Friday)

Colohoma Uranium, Inc. .... **Common**
(General Investing Corp. and Shaiman & Co.) $1,250,000

May 31 (Tuesday)

Duraloy Co. .... **Common**
(Mortimer B. Burnside & Co., Inc.) 60,000 shares

Minshall Organ, Inc. .... **Common**
(Baruch Brothers & Co., Inc.) $300,000

June 1 (Wednesday)

General Precision Instrument Corp. .... **Preferred**
(The First Boston Corp. and Tucker, Anthony & Co.) 100,000 shares

International Breweries, Inc. .... **Common**
(Shields & Co.) 500,000 shares

Texas Industries, Inc. .... **Debentures**
(Kidder, Peabody & Co.; Rauscher, Pierce & Co. and Russ & Co.) $6,000,000

Western Nebraska Oil & Uranium Co., Inc. .... **Com.**
(Israel & Co.) $300,000

June 2 (Thursday)

Consolidated Natural Gas Co. .... **Common**
Offering to stockholders—no underwriting 738,721 shares)

Heat-Timer Corp. .... **Common**
(Milton D. Blauner & Co., Inc., and Hallowell, Sulzberger & Co.) $150,000

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

National State Bank of Newark, N. J. .... **Common**
(Offering to stockholders—underwritten by Clark, Dodge & Co.; Union Securities Corp.; Adams & Hinckley; Nugent & Igoe; Julius A. Rippel, Inc.; and Parker & Weissenborn, Inc.) $4,095,000

Peoples Gas Light & Coke Co. .... **Common**
(Offering to stockholders—no underwriting) 111,836 shares

Public Service Co. of Colorado .... **Common**
(Offering to stockholders—underwritten by The First Boston Corp.; Blyth & Co., Inc., and Smith, Barney Co.) 275,464 shares

June 6 (Monday)

Stewart Oil & Gas Co. .... **Common**
(Barrett Herrick & Co., Inc.) $750,000

Vanadium Queen Uranium Corp. .... **Common**
(Van Alstyne, Noel & Co.) $2,112,500

June 7 (Tuesday)

Artloom Carpet Co., Inc. .... **Common**
(Offering to stockholders—underwritten by Auchincloss, Parker & Redpath) 98,195 shares

Baltimore Gas & Electric Co. .... **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) 575,856 shares

Central Illinois Electric & Gas Co. .... **Bonds**
(Bids 10:30 a.m. CDT) $4,000,000

Cosmopolitan Life Insurance Co. of Memphis, Tenn. .... **Common**
(Allen & Co.) 162,080 shares

Southwestern Gas & Electric Co. .... **Preferred**
(Bids to be invited) $6,000,000

Standard Electrical Products Co. .... **Common**
(S. D. Fuller & Co. and Vermilye Brothers) $299,000

Virginia Electric & Power Co. .... **Bonds**
(Bids 11 a.m. EDT) $25,000,000

June 8 (Wednesday)

American Machine & Foundry Co. .... **Common**
(Offering to stockholders—underwritten by Union Securities Corp.) 237,879 shares

United Gas Corp. .... **Common**
(Offering to stockholders of Electric Bond & Share Co. —bids to be invited) 525,036 shares

June 9 (Thursday)

Bridgeport Hydraulic Co. .... **Common**
Offering to stockholders—underwritten by Smith, Ramsay & Co.; Chas. W. Scranton & Co.; G. H. Walker & Co.; Hincks Bros. & Co., Inc. and T. L. Watson & Co.) 55,000 shares

Merchants National Bank of Boston .... **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) $2,000,000

June 20 (Monday)

Pioneer Natural Gas Co. .... **Common**
(Union Securities Corp.) 770,000 shares

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

Continued from page 49

● 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; offer to expire June 7. **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 Resources, Ltd., Denver, Colo.
May 4 (letter of notification) 175,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—528-534 Commonwealth Bldg., Denver, Colo. **Underwriter**—None.

● General Telephone Corp., New York (5/25)
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.

★Great Atlantic Life Insurance Co., Miami, Fla.
May 18 filed 108,000 shares of common class A non-voting stock (par $1.50) to be offered for subscription by holders of State Fire & Casualty Co. class A non-voting common stock and class B voting common stock on basis of one share of Great Atlantic for each three shares of State held. **Price**—$3 per share. **Proceeds**—To increase capital and paid-in surplus. **Underwriter**—None.

★ Greenbelt Consumer Services, Inc.
May 4 (letter of notification) 5,000 shares of class A voting stock and 13,000 shares of class B non-voting stock, plus $15,000 of three-year 5% notes. **Price** — The stock at par ($10 per share) and the notes in units of $10 each. **Proceeds**—For inventories and equipment for shopping centers. **Office**—133 Centerway Road, Greenbelt, Md. **Underwriter**—None.

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.

★ Hackensack Water Co., Weehawken, N. J.
May 18 filed $8,000,000 sinking fund debentures due June 1, 1985. **Proceeds**—To refund 2¼% notes due Aug. 1, 1955, purchase securities of Spring Valley Water Works & Supply Co., a subsidiary, and the balance for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; White, Weld & Co.; Drexel & Co. and Central Republic Co. Inc. (jointly); Kuhn, Loeb & Co. and W. C. Langley & Co. (jointly).

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.

★ Hartford Special Machinery Co.
May 2 (letter of notification) 8,140 shares of common stock to be offered for subscription by common stockholders. **Price**—At par ($20 per share). **Proceeds**—For working capital to finance carrying of increased inventories. **Office** — 287 Homestead Ave., Hartford, Conn. **Underwriter**—None.

★ Hartman Uranium & Oil Corp.
May 3 (letter of notification) 5,000,000 shares of capital stock. **Price**—At par (three cents per share). **Proceeds**—For mining operations. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—None, sales to be made through Ben J. Hartman, President of the company.

● Hawk Lake Uranium Corp. (5/24-25)
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.

★ Heat-Timer Corp. (6/2)
May 6 (letter of notification) 100,000 shares of common stock (par 20 cents). **Price**—$1.50 per share. **Proceeds**—For expansion and working capital. **Office**—657 Broadway, New York 21, N. Y. **Underwriters** — Milton D. Blauner & Co., Inc., New York, N. Y.; and Hallowell, Sulzberger & Co., Philadelphia, Pa.

Heligen 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.

★ Home-Stake Production Co., Tulsa, Okla.
May 12 filed 60,000 shares of capital stock (par $5) and 1,000 debentures (par $100) to be offered for sale in units of 60 shares of stock and one $100 debenture, or multiples thereof. **Price**—$400 per unit. **Proceeds**—For working capital. **Underwriter**—None. O. Strother Simpson, of Tulsa, Okla., is President.

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.

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.

★ Housing Credit Corp., Washington, D. C.
May 3 (letter of notification) 11,365 shares of common stock (par $10). **Price** — $11 per share. **Proceeds**—For operating expenses. **Office**—Room 205, Commonwealth Bldg., Washington 6, D. C. **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.

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.

★ Illinois Bell Telephone Co. (6/3)
May 17 filed 663,469 shares of capital stock to be offered for subscription by stockholders of record June 3, 1955, 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 repayment of advances from parent company. **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. (5/23)
March 25 filed 150,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For exploration and development expenses. **Office** — New York, N. Y. **Underwriter**—Baruch Brothers & Co., Inc., New York, on a "best-efforts basis."

★ International Breweries, Inc. (6/1-2)
May 12 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—Together with other funds, to be used to finance acquisition of assets of Frankenmuth Brewing Co. **Office**—Detroit, Mich. **Underwriter**—Shields & Co., New York.

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.

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.

★ Kaye-Halbert Corp., Culver City, Calif.
April 25 (letter of notification) 284,224 shares of common stock, of which 162,414 shares are to be publicly offered at present, the remaining 121,810 shares to be covered by options which may be exercised this year. Each purchaser of four shares will receive an option to purchase three additional shares. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office**—3623 Eastham Drive, Culver City, Calif. **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.

● Kurman Electric Co., Inc. (5/23)
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.

★ Lake Paupac Corp., Wayne, Pa.
May 10 (letter of notification) 400 shares of capital stock (no par). **Price**—$100 per share. **Proceeds**—To pay indebtedness, to improve property, for working capital. **Office** — 103 West Lancaster Ave., Wayne, Pa. **Underwriter**—None.

LeBlanc Medicine Co., Inc., Lafayette, La.
April 6 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of land, plant, warehouse, office building and equipment; and additional working capital. **Business**—Processing, packaging and merchandising of new proprietory medicine, KARY-ON. **Underwriter**—None.

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-9 Uranium, Inc., Reno, Nev.
April 25 (letter of notification) 14,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—4375 Neil Road, Reno, Nev. **Underwriter**—None.

★ Lyman-Farnsworth Corp.
May 6 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—201 N. Main St., Salt Lake City, Utah. **Underwriters** — O. M. Lyman and Dewey S. Farnsworth, also of Salt Lake City.

★ Marine Midland Corp., Buffalo, N. Y.
May 17 filed 45,000 shares of common stock (par $5) to be offered in exchange for all issued and outstanding capital stock of The First National Bank of Falconer, N. Y., at rate of 30 shares of Marine stock for one of First National held of record June 1. The offer is subject to acceptance of not less than 80% of the stock of First National.

★ McGraw Electric Co., Elgin, Ill.
May 12 filed 6,000 participations in profit sharing plan for employees of company and its subsidiaries, together with 100,000 shares of common stock which may be purchased pursuant to the plan.

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.
larch 31 filed $837,252 of instalment note certificates to e offered in exchange for the 3,578 shares of authorized nd issued common stock of Marine Transit Co. at rate f $234 per share. The balance of $1 of a total purchase ffer price of $235 per share is to be paid in cash. The xchange will be contingent upon acceptance of the ffer by holders of not less than 81% of the Marine 'ransit shares. Statement effective May 11.

Mehadrin Plantations, Inc., New York
pril 28 filed 70,000 shares of common stock (par $10). rice—$10.75 per share. **Proceeds**—For acquisition of dditional groves and working capital and other genral corporate purposes. **Business**—Production and sale f citrus fruits in State of Israel; also plans to grow subropical fruits. **Underwriter**—None.

Millsap Oil & Gas Co., Siloam Springs, Ark.
larch 17 (letter of notification) 599,200 shares of comion stock (par 10 cents). **Price** — 50 cents per share. roceeds—For oil and gas activities. **Office**—518 Main t., Siloam Springs, Ark. **Underwriter**—Dewitt Investlent Co., Wilmington, Del.

Minneapolis-Honeywell Regulator Co. (5/25-26)
lay 5 filed 160,000 shares of cumulative convertible reference stock (par $100). **Price**—To be supplied by mendment. **Proceeds**—To redeem outstanding debenires. **Underwriter**—Union Securities Corp., New York.

★ **Minshall Organ, Inc., Brattleboro, Vt. (3/31)**
pril 29 (letter of notification) 100,000 shares of comion stock (par $1). **Price**—$3 per share. **Proceeds**—To epay indebtedness and for working capital. **Business**—Ianufacturer of musical organs. **Underwriter**—Baruch rothers & Co., Inc., New York.

Moab King, Inc.
pril 4 (letter of notification) 10,000,000 shares of comion stock. **Price**—At par (one cent per share). **Proeeds**—For mining expenses. **Office**—210 Zions Savings ank Building, Salt Lake City, Utah. **Underwriter** — otter Investment Co., same city.

Moab Minerals, Inc., Moab, Utah
larch 28 (letter of notification) 30,000,000 shares of apital stock. **Price**—At par (one cent per share). **Proeeds** — For mining expenses. **Office** — Archer Bldg., Ioab, Utah. **Underwriter**—Guss & Mednick, Salt Lake ity, Utah.

Mojave Uranium Co., Salt Lake City, Utah
pril 13 (letter of notification) 3,000,000 shares of comion stock (par one cent). **Price** — 10 cents per share. roceeds—For mining expenses. **Office** — 130 S. 13th ast St., Salt Lake City, Utah. **Underwriter** — Peters, Vriter & Christensen, Inc., Denver, Colo.

★ **Monarch Oil & Uranium Corp., Denver, Colo.**
lay 5 (letter of notification) 600,000 shares of common ock (par one cent). **Price**—Eight cents per share. **Proeeds**—For mining expenses. **Office** — 2840 West 24th ve., Denver, Colo. **Underwriter**—None.

Monarch Uranium Co., Salt Lake City, Utah
larch 28 (letter of notification) 15,000,000 shares of apital stock. **Price**—At par (one cent per share). **Proeeds**—For mining operations. **Office**—430 Judge Bldg., alt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., ame city.

Morrell (John) & Co., Ottumwa, Iowa
larch 31 (letter of notification) 16,000 shares of capital ock (no par) to be offered in exchange for a like umber of shares of John J. Felin Co., Inc., plus a cash ayment. **Underwriter**—None.

Multi-Minerals Corp., Salt Lake City, Utah
lay 5 filed 1,500,000 shares of common stock (par one ent). **Price**—$1 per share. **Proceeds**—For payment on ranium claims and for exploration and other costs. nderwriter—M. Raymond & Co., Inc., New York.

National Credit Corp., Phoenix, Ariz.
lay 6 filed 300,000 shares of common stock (par $1). rice—$3 per share. **Proceeds**—For working capital. nderwriter—None.

New Bristol Oils, Ltd., Toronto, Canada
pril 11 filed 2,400,000 shares of common stock (par $1), f which 1,600,000 shares were issued to Newton-Conroe il Corp. and 800,000 shares to The Phoenix-Campbell orp., in exchange for properties. Newton-Conroe is disibuting its stock to its stockholders in a liquidation. s holder of 51% of the Newton-Conroe stock, Phoenixampbell will receive about 800,000 shares which it proposes to offer to the public, together with the 800,000 hares received directly from New Bristol Oils. **Price**—t market. **Proceeds**—To selling stockholder. **Underriter**—None, the distributing stockholders having unertaken to market their holdings directly.

★ **New Haven Water Co. (6/15)**
lay 17 filed 40,000 shares of capital stock (par $50) to e offered for subscription by stockholders of record une 15, 1955 on basis of two new shares for each seven hares held. **Price**—$51 per share. **Proceeds**—To repay ank loans and for new construction. **Office** — New aven, Conn. **Underwriter**—None.

North Penn Gas Co., Port Allegany, Pa.
pril 29 filed 419,000 shares of capital stock (par $5). rice—To be supplied by amendment. **Proceeds**—To ohn Fox of Boston, Mass., who is the selling stockolder. **Underwriter**—To be named later (may be Eastian, Dillon & Co. and Allen & Co., both of New York).

★ **North Pittsburgh Telephone Co.**
lay 5 (letter of notification) 2,000 shares of common ock to be offered for subscription by common stockolders. **Price**—At par ($25 per share). **Proceeds**—To educe bank loans. **Office**—Gibsonia, Pa. **Underwriter** -None.

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.

★ **Osborn Hy-Trans, Inc., Denver, Colo.**
May 3 (letter of notification) 15,265 shares of common stock (par $1). **Price**—At $10 per share. **Proceeds**—For manufacture and sales rights to hydraulic transmission on device or unit. **Office** — 510-29th St., Denver, Colo. **Underwriter**—None.

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. Kimball & 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.

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.

★ **Pixie Beverage Corp., Reno, Nev.**
April 26 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter** — None, sales to be made through Alexander A. Moore, President of the company.

★ **Plastics, Inc., San Juan, Puerto Rico**
April 29 (letter of notification) 69,096 shares of class A common stock to be offered for subscription by common stockholders of The Drackett Co. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—150 Tetuan St., San Juan, Puerto Rico. **Underwriter**—None.

● **Poly-Seal Corp. (N. Y.)**
April 27 (letter of notification) 40,000 shares of capital stock (par 10 cents) being offered for subscription by stockholders of record April 27; rights to expire on May 26. **Price**—$3 per share to stockholders; $3.37½ to public. **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.
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 up to 11 a.m. (EDT) 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 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.
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.**
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. **Offering**—Expected today (May 19).

★ **Public Service Co. of Colorado (6/3)**
May 13 filed 303,010 shares of common stock (par $10), of which 275,464 shares are to be offered for subscription by common stockholders of record June 3 on the basis of one new share for each 10 shares held; rights to expire on June 20. The remaining 27,546 shares are to be offered for sale to officers and employees. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—The First Boston Corp., Blyth & Co., Inc. and Smith, Barney & Co., all 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 7. 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 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.

★ **Pullman Couch Co. of Mississippi, Inc.**
May 5 (letter of notification) 1,000 shares of cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** — For general corporate purposes. **Office** — c/o Pullman Couch Co., 3759 Ashland Ave., Chicago 9, Ill. **Underwriter**—None.

● **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. **Offering**—Expected late in May or early June.

● **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.

★ **Ranger Uranium Exploration & Development Co.**
May 3 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—Vernal, Utah. **Underwriter**—None.

★ **Reliance National Life Insurance Co.**
May 9 (letter of notification) 4,000 shares of class B common stock (par $10). **Price**—$30 per share. **Proceeds**—For capital and surplus. **Office** — 64 East 21st South St., Salt Lake City, Utah. **Underwriter**—None, sales to be made through Frank B. Salisbury, President of the company.

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, all of New York.

● **Robinson Aviation, Inc., Teterboro, N. J.**
May 6 filed 100,000 shares of common stock (par 20 cents), of which 40,000 shares are for account of company and 60,000 shares for selling stockholders. **Price**—$6.50 per share. **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.

★ **St. Regis Paper Co.**
May 12 filed 369,999 shares of common stock (par $5) to be offered in exchange for common stock of Pollock Paper Co., on the basis of 8.8095 shares of St. Regis stock for one share of Pollock stock of which 42,000 shares are outstanding. This offer is subject to deposit of 80% of Pollock stock.

San Miguel Uranium Mines, Inc.
Jan. 6 (letter of notification) 2,000,000 shares of common stock (par one cent). Price—15 cents per share. Proceeds — For mining operations. Office — Mineral Bldg., Grand Junction, Colo. Underwriter — Tellier & Co., Jersey City, N. J.

San Rafael Uranium Co. of Maryland
March 4 (letter of notification) 15,000,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds**—For mining expenses. **Underwriter**—Lewellen-Bybee Co., Washington, D. C.

★ **Sapphire Valley Golf Club, Inc., Augusta, Ga.**
Apri 125 (letter of notification) $250,000 of unsecured debentures due Jan. 1, 1976. **Price**—At par (in denominations of $2,000 each). **Proceeds**—For development and

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operation of golf coruse and facilities and for working capital. **Office** — 3037 Bransford Road, Augusta, Ga. **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 (5/20)**
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.

★ **Securities Acceptance Corp., Omaha, Neb.**
May 9 (letter of notification) 6,000 shares of 5% cumulative preferred stock (par $25). **Price**—$26.25 per share. **Proceeds**—For working capital. **Office**—304 South 18th St., Omaha, Neb. **Underwriters**—Cruttenden & Co., Chicago, Ill.; Wachob-Bender Corp., Omaha, Neb.; and The First Trust Co. of Lincoln, Neb.

★ **Sequia Mining Corp., Reno, Nev.**
April 29 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter** — None, but Ilo F. Spahr, Secretary and Treasurer, to handle sales.

★ **Sherman Creek Uranium Mines, Inc.**
April 25 (letter of notification) 180,000 shares of common stock. **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Office**—Republic, Ferry County, Wash. **Underwriter**—None.

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.

★ **Silent Clerk, Inc., Washington, D. C.**
April 22 (letter of notification) 8,000 shares of preferred class A stock. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—2816-2nd St., S.E., Washington, D. C. **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.

Southeastern Public Service Co.
Jan. 24 (letter of notification) 28,000 shares of common stock (par 10 cents) being offered in exchange for Hamilton Gas Corp. capital stock (par $1) on the basis of 3½ Southeastern shares for each Hamilton share. This offer shall terminate when offer shall have been accepted by Hamilton stockholders owning not in excess of 8,000 shares of Hamilton stock. **Office**—70 Pine St., New York 5, N. Y. **Underwriter**—None.

● **Southern California Edison Co. (5/23)**
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. Warrants expected to be mailed on or about May 23. **Price**—At principal amount. **Proceeds**—To retire short term bank loans and for new construction. **Underwriter**—None.

★ **Southwestern Gas & Electric Co. (6/7)**
May 16 filed 60,000 shares of cumulative preferred stock (par $100). **Price**—To be named later. **Proceeds**—For repayment of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. 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 to be received on June 7.

★ **Spring Day Mining Co., Denver, Colo.**
May 9 (letter of notification) 320 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For mining expenses. **Office** — 815 East 18th St., Denver, Colo. **Underwriter**—None.

★ **Spring Lake Country Club, Grand Haven, Mich.**
May 3 (letter of notification) 3,000 shares of common stock. **Price**—At par ($25 per share). **Proceeds** — For capital improvements, etc. **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 Electrical Products Co. (6/7-8)**
May 18 (letter of notification) 149,500 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Underwriters**—S. D. Fuller & Co. and Vermilye Brothers, both of New York.

★ **Standard Mercury Corp., Winnemucca, Nev.**
April 25 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price** — 20 cents per share. **Proceeds**—For general corporate purposes. **Office**—Suite 7, Professional Bldg., Winnemucca, Nev. **Underwriter**—E. I. Shelley Co., Denver, Colo.

★ **Standard Oil Co. (Indiana)**
May 16 filed $40,500,000 of participations in Employees Savings Plan of the company and its subsidiaries, together with 915,254 shares of capital stock which may be purchased thereunder.

● **Stewart Oil & Gas Co. (6/6)**
March 14 filed 750,000 shares of common stock (par 10¢). Price—$1 per share. Proceeds—To repay bank loan, and for development of properties and other activities incident to oil and gas operations. Office — San Angelo, Texas. Underwriter—Barrett Herrick & Co., Inc., New York.

★ **Stylon Corp., Milford, Mass.**
May 10 filed 390,000 shares of common stock (par $1) to be offered in exchange for $1,950,000 of City of Florence, Ala., first mortgage industrial development revenue fund bonds. **Underwriter**—None.

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 Industries, Inc., Dallas, Texas (6/1)**
May 11 filed $6,000,000 of subordinated (convertible) debentures due 1975. **Price**—To be supplied by amendment. **Proceeds**—$3,363,980 to redeem 15-year 6% sinking fund debentures and the remainder for working capital and general corporate purposes. **Underwriters**—Kidder, Peabody & Co., New York; Rauscher, Pierce & Co., Inc., Dallas, Tex.; and Russ & Co., San Antonio, Tex.

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.

★ **Triangle Mines, Inc., Salt Lake City, Utah**
May 3 (letter of notification) 100,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For mining operations. **Office** — 506 Judge Bldg., Salt Lake City, Utah. **Underwriter** — Lewellen-Bybee Co., Washington, D. C.

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.

★ **United Gas Corp. (6/8)**
May 17 filed 525,036 shares of common stock (par $10) to be offered by Electric Bond & Share Co. for subscription by its common stockholders of record about June 8 on the basis of one new share of United Gas stock for each 10 shares of Bond and Share stock held; rights to expire on or about July 1. **Price**—To be named later. **Proceeds**—To Electric Bond & Share Co., who is the 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.

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. (6/6-10)**
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. **Underwriter**—Van Alstyne, Noel & Co., New York.

● **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 to be received up to 11 a.m. (EDT) on 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** Expected to be received by the company up to 11 a.m. (EDT) 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. (6/1)**
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). **Pro-**

ceeds—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.

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 Uranium Corp., Salt Lake City, Utah
April 22 (letter of notification) 833,333 shares of common stock (par one cent). Price—3½ cents per share. Proceeds—For mining expenses. Office—522 Felt Bldg., Salt Lake City, Utah. Underwriter—James E. Reed & Co., Salt Lake City, Utah; and Coombs & Co., of Washington, D. C.

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.

★ Yucca Uranium, Inc., Albuquerque, N. Mex.
April 22 (letter of notification) 295,000 shares of common stock (par 50 cents). Price—$1 per share. Proceeds —For mining expenses. Office — 4233 Mackland Ave., N.E., Albuquerque, N.M. Underwriter—None.

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 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.

● Baltimore Gas & Electric Co. (6/7)
May 13 it was announced company plans to offer 575,856 additional shares of common stock for subscription by common stockholders of record on or about June 7 on a 1-for-10 basis. Unsubscribed shares to be offered to employees excluding officers. Registration — Statement now being prepared. Underwriter — The First Boston Corp., New York.

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 May.

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.

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 on May 11 voted to increase the authorized common stock from 3,250,000 to 3,500,000 shares. Offering—Probably in September.

★ Chicago, Milwaukee, St. Paul & Pacific RR.
May 10 it was announced stockholders will vote July 13 on approving the creation of an issue of $60,000,000 5% income debentures, series A, to be offered in exchange for outstanding preferred stock, series A, about Aug. 1 on a par for par basis; offer to expire on Sept. 1, 1955.

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.

Commonwealth Edison Co.
Jan. 24, Willis Gale, Chairman, announced it should be Fall before the company undertakes its next financing. Proceeds—For new construction, which, it is estimated, will cost about $125,000,000 in 1955. Underwriters—For last equity financing were The First Boston Corp. and Glore, Forgan & Co.

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.

★ First National Bank of Fort Worth, Texas
May 16 it was announced Bank plans to offer to its stockholders the right to subscribe for 100,000 additional shares of capital stock (par $10) on the basis of one new share for each 5½ shares held. Price—$23.50 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.

Given Manufacturing Co.
March 3 it was reported that company may do some financing in connection with acquisition of Gasinator Mfg. Co., Cleveland, O. Underwriter—Straus, Blosser & McDowell, Chicago, Ill.

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 13 stockholders approved a proposal increasing the 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.

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.

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 undetermined number of common shares. Underwriters—L. D. Sherman & Co., New York, and Garrett & Co., Dallas, Tex.; and others.

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.

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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.

● **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; rights to expire on June 27. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — The First Boston Corp., New York.

Murphy (G. C.) Co., McKeesport, Pa.
April 12 stockholders approved a proposal to increase the authorized limit of indebtedness from $3,000,000 to $20,000,000. **Proceeds**—For expansion program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York, handled preferred stock financing in 1942.

National Co., Inc., Malden, Mass.
March 29 stockholders increased authorized common stock (par $1) from 300,000 shares (260,100 shares outstanding) to 400,000 shares. Joseph H. Quick, President, said it is contemplated that some financing will be arranged during 1955 to provide additional capital in connection with the current expansion program. **Underwriter**—Probably A. C. Allyn & Co. Inc., New York.

● **National 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**—$70 per share. **Proceeds**—Expected to be about $2,000,000—to increase capital and surplus. **Underwriter** — Clark, Dodge & Co., New York.

★ **National State Bank of Newark, N. Y. (6/3)**
May 13, W. Paul Stillman President, announced stockholders will vote May 23 on increasing the authorized capital stock (par $25) by 55,000 shares, of which it is planned to distribute 10,000 shares as a stock dividend of 8%, and to offer the remaining 45,000 shares to stockholders of record June 3 at $91 per share in the ratio of one new share for each three shares held after receipt of the stock dividend. **Proceeds**—To increase capital and surplus. **Underwriters** — Clark, Dodge & Co.; Union Securities Corp.; Adams & Hinckley; Nugent & Igoe; Julius A. Rippel, Inc.; and Parker & Weissenborn, Inc.

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 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. (6/20-21)**
May 4 it was reported a secondary distribution of 770,000 shares is being prepared. **Registration**—Expected May 31. **Underwriter** — Union Securities Corp., New York.

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. **Underwriters**—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.**
May 10 stockholders approved 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 to mature in 40-years. **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., Bea Stearns & Co. and Dean Witter & Co. (jointly); Unio Securities Corp. and Equitable Securities Corp. (jointly Lehman Brothers; Morgan Stanley & Co.; Kidder, Pea body & Co., and Merrill Lynch, Pierce, Fenner & Bean **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 commo stock. **Office**—160 Broadway, New York City. **Under writer**—Eisele & King, Libaire, Stout & Co., New Yor **Offering**—Expected in June or July.

Southwestern States Telephone Co.
April 25 company applied to the Arkansas P. S. Com mission for authority to issue and sell 40,000 shares cumulative preferred stock (par $25). **Proceeds** — To gether with funds from proposed issue (probably pr vately) of $2,000,000 first mortgage bonds, to be used f construction program. **Underwriter** — Central Republ Co. (Inc.), Chicago, Ill.

Sterling Precision Instrument Corp., Buffalo, N. Y.
April 14 it was reported company plans to issue a sell $3,000,000 of convertible preferred stock.

Texas Eastern Transmission Corp.
Jan. 12, George T. Naff, President, referred to the po sibility of some $85,000,000 in new financing when a if the company's current application for the reconve sion of the Little Big Inch pipeline and the constructi of the new natural gas facilities is launched. He ind cated that it was possible that $40,000,000 of that a sumed $85,000,000 new financing might be in the form new first mortgage bonds, (to be placed privately), a that based upon the assumptions that he was making believed that the remainder of the financing would b accomplished by the issuance of debentures and pr ferred stocks (he did not assume the sale of any com man stock). Plans for the possible issuance of new sec rities are not at all definite as yet, it was announced March 4. **Underwriter**—Dillon, Read & Co., Inc., Ne York.

Texas Gas Transmission Co.
March 15 it was reported company plans to sell add tional first mortgage bonds later to finance cost of ne construction, which is estimated at about $17,500,0 **Underwriter**—Dillon, Read & Co. Inc., New York.

United Aircraft Corp.
April 26 stockholders approved a new issue of 500,0 shares of preference stock (par $100). **Proceeds**—To r deem present 5% cumulative preferred stock (233,5 shares outstanding), and for working capital. **Unde writer**—Harriman Ripley & Co., Inc., New York.

Utah Power & Light Co. (9/13)
March 28 it was reported company plans to issue a sell $15,000,000 of first mortgage bonds due 1985. **Pr ceeds** — To repay bank loans and for construction pr gram. **Underwriter**—To be determined by competiti bidding. Probable bidders: Halsey, Stuart & Co. In Union Securities Corp. and Smith, Barney & Co. (join ly); Kidder, Peabody & Co.; Salomon Bros. & Hutzle White, Weld & Co. and Stone & Webster Securities Co (jointly); The First Boston Corp.; Lehman Brothers a Bear, Stearns & Co. (jointly). **Bids** — To be receiv Sept. 13.

Utah Power & Light Co. (9/13)
March 28 it was reported company plans public sale 177,500 shares of common stock. **Proceeds** — For c struction program. **Underwriter**—To be determined competitive bidding. Probable bidders: Lehman Br thers; Union Securities Corp. and Smith, Barney & C (jointly); Kidder, Peabody & Co. and Merrill Lync Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; T First Boston Corp. **Bids**—To be received on Sept. 13,

Westcoast Transmission Co., Ltd.
April 25 it was reported company now plans to iss and sell publicly about $20,000,000 of securities, probab in units of notes and stock. Bonds are expected to placed privately. **Underwriter**—Eastman, Dillon & C New York. **Offering**—Expected in July.

★ **Western Light & Telephone Co., Inc.**
May 2 it was reported company plans to issue and s about $2,500,000 first mortgage bonds, series H, due 19 **Underwriter**—May be Dean Witter & Co.

Western Union Telegraph Co.
March 15 it was announced that consideration is be given to the issuance of some additional shares of co mon stock through an offering to stockholders. Stoc holders April 13 voted to approve a 4-for-1 split the company's stock and the issuance of an additio 1,580,000 new shares, part of which are expected to offered as aforesaid, but no definite financing pl have been formulated. **Underwriters**—Expected to clude Kuhn, Loeb & Co.; Lehman Brothers: and Cla Dodge & Co.

Westpan Hydrocarbon Co.
March 2 it was announced Sinclair Oil Corp. has agr with the SEC to divest itself of its investment of 384, shares of Westpan stock (52.8%). **Underwriter**—Un Securities Corp., New York, underwrote recent sale Sinclair's holdings of Colorado Interstate Gas Co. Wh Weld & Co., New York, may be included among bidders.

Our Reporter's Report

The underwriting industry still is coasting along waiting for the seasoned bond market to get to the point, one way or another, at which institutional investors will be attracted back into the picture.

Just where that condition may be expected to develop remains something of an unknown quantity, but the rank and file, to put it in the words of one of their number, find "no reason to get steamed up until broad institutional demand is redeveloped."

The current week brought about little change in the general picture. The supply of new material was limited and likewise the demand of investment sources which must provide the outlet for corporate offerings.

The market is not burdened with anything in the way of sizable unsound inventories of new issues. But it has been necessary to terminate syndicate agreements in a number of instances in recent weeks in order to clean out remnants.

Just the other day the group sponsoring the recent Central Maine Power Co.'s $12,000,000 of first and general, 30-year 3⅜% bonds decided to turn that issue loose.

In the case of Bethlehem Steel Corp.'s huge offering of convertible debentures to shareholders, that issue, taking its cue from the stock market, has backed down from a range of 113-114, where the indicated yield was about 2.50%, to around 110 where the return is around 2.70%. At the lower level a livelier interest is indicated.

In By a Whisker

The successful banking group and the runner-up in this week's bidding for Ohio Edison Co.'s $30,000,000 of 30-year first mortgage bonds, came down to the wire almost neck and neck.

A difference of only 30 cents per $1,000 bond, or $9,000 on the entire deal separated their tenders. The winner bid 100.10 and the runner-up 100.07 both for a 3¼% coupon rate. Two other bids were entered, but these were for a 3⅜% interest rate.

With $10,000,000 to $12,000,000 of the total going into the "pot" for the selling group, it was reported that better than $8,000,000 of that amount had been taken down largely for the account of State of California pension funds. The issuer also was reported committed to take down some $4,000,000 against its sinking fund requirements of the next few years.

Detroit Edison

The impending $60,000,000 offering of general and refunding mortgage bonds, 25-year maturity, of Detroit Edison Co., should provide a real test of the market's fabric.

Bids on this big issue have been called for by the company to be opened next Tuesday, with prospective bidders due to get a rundown on the details tomorrow. Proceeds will go to pay bank loans and for new construction.

Four banking groups have indicated their intentions of submitting bids for the business which is the largest ahead of the market for a spell.

Two Other Issues Up

The next week starts off with two other, smaller, utility issues up for bids on Monday. Alabama Power Co., has called for bids for $15,000,000 of 30-year, first mortgage bonds which will provide funds for new construction.

On the same day Potomac Electric Power Co. will open bids for $10,000,000 of 35-year first mortgage bonds to put it in funds for the repayment of bank loans and to finance projected construction.

Lockheed Aircraft Corp.'s $30,000,000 of convertible, subordinated debentures, a 25-year issue, to be offered at mid-week, will add a little variety to the fare of investors. An industrial undertaking, it is being floated through negotiation between the company and its bankers.

Joins Sandeen Staff

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Eugene O. Bahr has become associated with S. A. Sandeen & Co., Talcott Building.

Joins W. G. Nielsen Co.

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — Lewis E. Lyon has become affiliated with W. G. Nielsen Co., 3607 West Magnolia Boulevard.

Jacob Ellman Opens

BROOKLYN, N. Y.—Jacob Ellman is conducting a securities business from offices at 66 Court Street.

Joins Pruett Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Mrs. Evelyn R. Fulle has become connected with Pruett and Company Inc., 710 Peachtree Street, N. E.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Paul M. Sabre has been added to the staff of Paine, Webber, Jackson & Curtis, 209 South La Salle Street.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Alfred H. Guthrie, Jr., has become affiliated with Reynolds & Co., 919 Tenth Street.

With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — George O. Moeller has become associated with Yates, Heitner & Woods, 320 North Fourth Street, members of the New York Stock Exchange. Mr. Moeller was formerly with Hill Brothers and Reinholdt & Gardner.

Form F. W. Reinig Co.

WASHINGTON, D. C. — F. W. Reinig & Co. has been formed with offices at 927 Fifteenth St., N. W. Frederick W. Reinig is a principal.

Selleneit Brokerage Opens

SALT LAKE CITY, Utah — Louis W. Selleneit is engaging in a securities business from offices in the Newhouse Building under the name of Selleneit Brokerage Company.

Schmieg Industries Shares To Be Offered

S. D. Fuller & Co., of New York City, and associated underwriters are expected to offer tomorrow (May 20) an issue of 99,880 shares of Schmieg Industries, Inc. common stock at $3 per share.

The company is engaged in the design, manufacture, installation and sale of equipment and complete systems for the removal of dust and fumes in factories. It also manufactures industrial ovens, spray booths, washers, strippers and allied mechanical equipment for factories manufacturing a wide variety of products. The proceeds of this issue estimated to be $243,000 will be used for working capital.

A 12-cent dividend was declared on March 30, 1955. If the earnings of the company continue at the present rate or higher, it is the intention of the directors to declare dividends at a yearly rate of 24 cents per share. On the basis of the public offering price, this would represent a return of 8% to the investor.

The company's plant and principal executive offices are located on seven acres of land in a suburb of Detroit, Mich. Part of the land is occupied by the company's plant containing approximately 40,000 square feet of floor area. Approximately 10,000 square feet of additional area has been paid for and is available for immediate expansion.

Henry M. Margolis is President and Chairman of the Board.

Giving effect to the current issue, capitalization will consist of 337,380 shares of common stock outstanding no par value.

Associated in the underwriting is Vermilye Brothers, also of New York City.

Three With Hirsch Co.

Hirsch & Co., members New York Stock Exchange, announce that Bert Albert, Philip Sobin and Sol Chernoff have become associated with the firm as registered representatives. Messrs. Albert and Sobin will be in the firm's main office and Mr. Chernoff will be at the 499 Seventh Avenue office.

New O'Rourke Branch

CRESCENT CITY, Fla.—T. Nelson O'Rourke, Inc. has opened a branch office in the Peoples Bank Building under the management of Carleton O. Ericksen.

Joins Waldron Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—W. Duncan Fletcher has become connected with Waldron & Company, Russ Building.

J. L. Donahue Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Stanley C. Johnson is now affiliated with John L. Donahue, Empire Bldg.

J. W. Hicks Adds Two

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Dave N. Keys and Thelma Y. Neufeld have joined the staff of J. W. Hicks & Co., Inc., Colorado Building.

With Investors Research

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Mary L. Yoder has joined the staff of Investors Research, 240 Beach Drive, North.

With Birkenmayer Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Agnes N. Gomer has joined the staff of Birkenmayer & Co., Denver Club Building. Mrs. Gomer was previously with J. W. Hicks & Co.

Hemphill, Noyes Branch

ITHACA, N. Y.—Hemphill, Noyes & Co. has opened a branch office in the Hotel Ithaca Building under the management of Willard I. Emerson.

With Hancock, Blackstock

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — John A. McFarlane is now affiliated with Hancock, Blackstock & Co., Candler Building.

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D.C. — That projected study by a subcommittee of the Congressional Joint Economic Committee of the adequacy of the present tax system to serve the mystical goals of the Employment Act of 1946—the constantly expanding economy and the ever-rising standard of living—will not be THE kick-off to the Democratic tax program for 1956.

In other words, it is strictly free lance, undertaken in the lofty manner of the Joint Economic Committee. It will consist of a lot of discussions of panels of professors, in that form of intellectual academic interest so peculiar to the Joint Economic Committee.

On the other hand, the subcommittee will be run by one of the most able of the politicos in Congress, one Rep. Wilbur D. Mills (D., Ark.), who inherits the subcommittee chairmanship by reason of the fact that he is also a member of the Ways and Means or taxing committee. Before the thing is worked off this fall, Rep. Mills, who it is suspected, would like to be a conservative if Eisenhower were not by his "progressive" programs always crowding the Democrats further to the left, may bring the thing down from the academic stratosphere into more intelligible sense.

In other words, the Hon. Mr. Mills is quite likely to make something good of this stand-off and-take-a-long-look at the nation's tax system in spite of its Democratic sponsorship and academic impedimenta.

The news, however, is that this subcommittee long range tax look-see is not a Democratic enterprise to get set for the tax wars next year, as some people have interpreted it. That it was to be the prelude to framing the Democratic tax program for 1956 was naturally inferred from the fact that the Joint Economic Committee is perforce a strictly partisan gadget and by the further fact that Mr. Mills is one of Speaker Rayburn's most able lieutenants.

Actually Speaker Rayburn has passed the word to no one as yet to huddle with the books and papers and figure out a Democratic tax program for 1956. There will be time enough to do that when the President unveils his form of tax relief next year.

Wherry Act Housing Is Dead

Back in the immediate postwar period Congress adopted the Wherry Act to give military housing a free ride outside the strictures of the budget and appropriating processes, and now the thing is dead. How it came to die is quite a story.

From time immemorial Congress appropriated money to house military personnel on or adjacent to military bases, the funds therefore were carried in the budget, and before the military got the money, the Congress had to appropriate it. This was done, of course, because by no kind of imagination, can it be contended that there is any commercial value to housing on military bases.

Then came the Wherry Act, which ordained that if the Defense Department certified the need for rental housing on or adjacent to military and atomic energy bases remote from centres of population, FHA under the new Title VIII could insure this housing. The Secretary of Defense had to certify also that the base was "permanent." This meant that if a horse cavalry base 30 years ago had been certified as permanent, then rental housing "insured" by FHA could have been built. This droll process was designed to soothe the conscience of Congress for unloading the deal from the budget on to the FHA.

Housing Scandal Kills

Then along came Senator Homer E. Capehart with his large-scale public investigation of the Great Housing Scandal of 1954. One of the alleged abuses of the supposed "scandal" was that FHA was so loose in its supervision of insured loans that a lot of people walked off with quite some substantial hunks of money.

The virtue of the airing of the housing business was that in some respects, and only in some respects, Congress wrote tightening up provisions designed to tie down closely the relationship of cost to the values insured by FHA — a practice noticeably confined to rental or apartment housing.

In the process the Housing Act of 1954 contributed to, or was followed by a virtual drying up of FHA money for multifamily commercial apartment housing, including Wherry Act housing.

As a consequence, not being able to get much brick or mortar put up under the Wherry Act for military people, the Defense Department decided to heck with the Wherry Act, let's go back to direct appropriations. It was so recommended, and the Wherry Act is to be allowed to die on statutory schedule come next June 30.

Thus, the death of the Wherry Act Housing was the accidental consequence of the "housing scandal revelation's of last year.

The sequel to the story is that the Hon. Mr. Capehart, now ranking minority member of the Banking Committee of the Senate, is vigorously sponsoring a revival, not just of the Wherry Act, but of a much more liberal version thereof.

This new Capehart bill would relieve the FHA of any responsibility in insuring military housing. It would give the Defense Department complete authority to determine costs and values, need, specifications of military housing, site location, and so on. Once the military set up the deal, FHA insurance would be automatic.

Mr. Capehart's more liberal Wherry Act revival, however, is getting nowhere, either with Congress or the Administration.

Bank Merger Outcries Rising

It may be that now that Rep. Emanuel Celler (D. N. Y.), the Chairman of the House Judiciary Committee, is making much to do over bank mergers, that the Eisenhower Administration is merely trying to make more noises along the same line. Or it may not be, and the Administration means business.

At any rate, Stanley N. Barnes, chief of the Department of Justice anti-trust division, formally approved Manny Celler's new bill to remove the exemption banks as an industry have from the prohibitions of the Celler Act of 1950 against acquisition of assets under the Clayton Act. This endorsement he presented to Mr. Celler's sub-committee carrying on a long public seance into the adequacy of the anti-trust laws.

Furthermore, Mr. Barnes hinted strongly the Department or Justice is looking into bank mergers to see if they do not come under strictures of the Sherman Act against lessening of competition. Lawyers here do not recall a single case ever launched against banks under the Sherman Act, at least not in recent years.

If Controls Are Voted

If controls are voted by Congress, as it was reported in this column last week the Administration desires, then the outlook on peace versus war might be materially altered.

The heart of the reported Administration idea is that standby controls of wages, credit, prices, etc., could be ordered in case of war "or other emergency." In other words, if an emergency should just occur, the controlled economy could be ushered in.

For many people outside this national capital, it may be difficult to believe, that there are people in government who like power and controls for their own sake.

Long time observers, however, are reluctantly convinced that such power-minded, and control-minded people do exist, even though it is doubted they are at the top of the power heap.

So far the Administration's handling of Russia has always been dictated by the twin ideas of preserving peace and avoiding opposing the wishes of NATO allies who do not want to slap Russia too hard. In other words, the "one worlder" idea dominates foreign relations.

On the other hand, if standby controls should be voted, there would be a class of hard-bitten, below-the-top bureaucrat who might have his own motivations influenced subtly by the desire to see controls come back, especially if the economy should lag and these controllers saw the need for drastic inflation to be undertaken coupled with controls.

"Boom" Generating Own Restraints

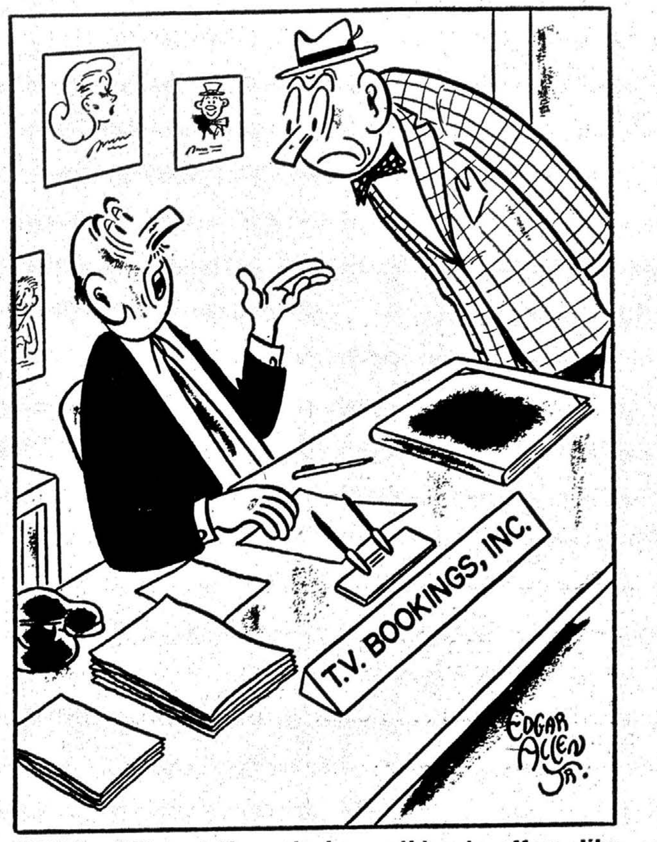
It is a rather general feeling among monetary authorities, it is believed, both Treasury and Federal Reserve, that the present favorable business picture is generating naturally the restraints which will keep business from getting out of hand.

This was voiced briefly some three weeks ago by Robert B. Blyth, debt management assistant to Treasury Secretary Humphrey, when he told customers brokers in New York City that "under present conditions developments in the economy itself will determine primarily the course of the money market. If the economy moves ahead too rapidly, credit restraints will develop largely through natural forces, although ample credit will be available for normal growth."

In other words, the monetary authorities are keeping excess reserves down, but don't presently see the need for any further monetary restraint, leaving that to the supply and demand for credit.

(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



"It'd be different if you had something to offer—like being fired by Godfrey!"

Carr & Co. Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Donald S. Berry is now connected with Carr & Co., Penobscot Building, members of the Detroit Stock Exchange.

H. L. Jamieson Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Clarence O. Wilson has become connected with H. L. Jamieson Co., Inc., Russ Building.